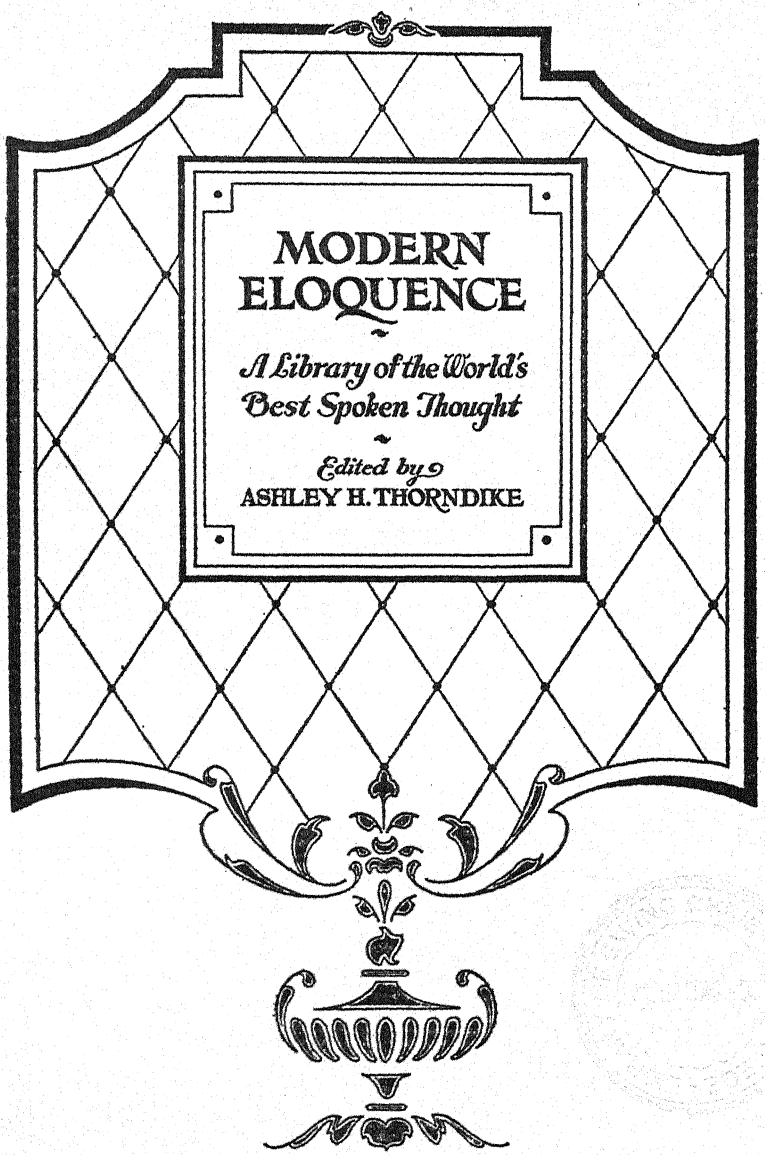


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Introductory Essays by Eminent Authorities giving a Practical Course of Instruction on the Important Phases of Public Speaking

MODERN ELOQUENCE

VOLUME V

Business · Industry · Professions

BUSINESS ADDRESSES

Edited by

ASHLEY H. THORNDIKE

Professor of English, Columbia University

NEW YORK

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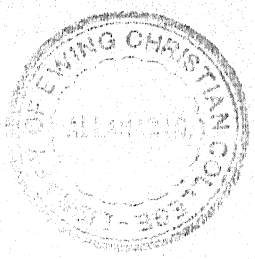
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INTRODUCTION

PUBLIC SPEAKING

By ALBERT J. BEVERIDGE

"And the common people heard Him gladly," for "He taught them as one having authority." These sentences reveal the very heart of effective speaking. Considered from the human view-point alone, the Son of Mary was the prince of speakers. He alone has delivered a perfect address—the Sermon on the Mount. The two other speeches that approach it are Paul's appeal to the Athenians on Mars Hill and the speech of Abraham Lincoln at Gettysburg. These have no tricks, no devices, no tinsel gilt. They do not attempt to "split the ears of the groundlings," and yet they are addressed to the commonest of the world's common people.

Imagination, reason, and that peculiar human quality in speech which defies analysis as much as the perfume of the rose, but which touches the heart and reaches the mind, are blended in each of these utterances in perfect proportion. But, above all, each of these model speeches which the world has thus far produced teaches. They instruct. And, in doing this, they assert. The men who spoke them did not weaken them by suggesting a doubt of what they had to say. This is common to all great speeches.

Not one immortal utterance can be produced which contains such expressions as "I may be wrong," or, "In my humble opinion," or "In my judgment." The great speakers, in their highest moments, have always been so charged with aggressive conviction that they announced their conclusions as ultimate truths. They speak "as one having authority," and, therefore, "the common people hear them gladly."

All this means that the two indispensable requisites of speaking are, first, to have something to say, and, second, to say it as though you mean it. Of course, one cannot have something really to say—a lesson to teach, a message to deliver—every fifteen minutes. Very well, then; until one does not have something to say, let one hold one's peace.

Carlyle's idea is correct. He thought that no man has a right to speak until what he has to say is so ripe with meaning, and the season for his saying it is so compelling, that what he says will result in a deed—a thing accomplished—now or after a while. In the prophetic old Scotchman's iron philosophy there was no room for anything but deeds. If such instruction is needed; if a great movement requires the forming and constructive word to interpret it and give it direction; if a movement in a wrong direction needs halting and turning to its proper course; if a cause needs leading; if a law needs interpretation; if anything really needs to be said—the occasion for the orator, in the large sense of that word, has arrived. And, when he speaks, "the common people will hear him gladly"; they will hear him because he teaches, and does it "as one having authority."

Whenever a speaker fails to make his audience forget voice, gesture, and even the speaker himself, whenever he fails to make the listeners conscious only of the living truth he utters, he has failed in his speech itself, which, then, has no other reason for having been delivered than a play or any other form of entertainment.

As a matter of fact, very few of the great orators have had loud voices, or if they did have them, they did not employ them. I am told that Wendell Phillips seldom spoke in any voice but a conversational tone, and yet he was able to make an audience of many thousands hear distinctly. It is probable that no man ever lived who had a more sensuous effect upon his hearers than Ingersoll. In a literal and physical sense he charmed them. I never heard him talk in a loud voice. There was no "bell-like" quality. It was not an "organ-like" voice.

The greatest feat of modern speech, in its immediate effect, was Henry Ward Beecher's speech to the Liverpool mob. A gentleman who heard that speech told me that, notwithstand-

ing the pandemonium that reigned around him, Beecher did not shout, or speak at the top of his voice, a single time during that terrible four hours. It is true that Æschines spoke of Demosthenes' delivery of his Oration on the Crown as having the ferocity of a wild beast. I do not see how that can be, however, because Demosthenes selected Isæus as his teacher because Isæus was "businesslike" in method.

This, however, is common to the voices of nearly all great speakers: they have a peculiar power of penetration that carries them much farther than the shout and halloo of the loudest-voiced person. They have, too, a singularly touching and tender quality, which, in a sensuous way, captivates and holds the hearers. James Whitcomb Riley had this quality in his voice when reciting. Julia Marlowe has it. Olga Nethersole has it to the very highest degree. Madame Modjeska had it nearly as much.

It is a remarkable thing that there is neither wit nor humor in any of the immortal speeches that have fallen from the lips of man. To find a joke in Webster would be an offense. The only things which Ingersoll wrote that will live are his oration at his brother's grave and his famous "The Past Rises Before Me Like a Dream." But in neither of these productions of this genius of jesters is there a single trace of wit. There is not a funny sally in all Burke's speeches. Lincoln's Gettysburg address, his first and second inaugurals, his speech beginning the Douglas campaign, and his Cooper Union address in New York, are, perhaps, the only utterances of his that will endure. Yet this greatest of story-tellers since Æsop did not adorn or deface one of these great deliverances with story or any form of humor.

The reason for this is found in the whole tendency of human thought and feeling—in the whole melancholy history of the race—where tears and grief, the hard seriousness of life and the terrible and speedy certainty of our common fate of suffering and of death, make somber the master-cord of existence. The immortal things are all serious . . . even sad. It is so with speech—I mean the speech that affects the convictions and understandings of men. I am excluding now that form of speech which is merely a species of entertainment. It belongs

to the same class, though of a higher order, as the theatrical exhibition.

Where there is an earnestness of thought (and earnestness is only another name for seriousness) there will always be the same quality in manner—an impressiveness in bearing and delivery. This is inconsistent with merriment of delivery, which robs speech of a certain weight and intrinsic worth. It is also inconsistent with the voice of storm and the hurricane manner. And men in deadly earnest do not talk loud. It has been my fortune to see men angry and aroused to the point of killing; they were intense, but quiet. I have also seen that bravado and drunken boisterousness which thought it imitated, and meant to imitate, genuine rage; it is always strident and violent, never dangerous, never sincere. The same thing is true in speech. There have only been two or three roarers in effective oratory . . . Mirabeau, by all accounts; and Demosthenes, if Æschines is to be believed, which I think he is not to be in this particular. He was only excusing his own defeat, and he had to attribute it to delivery (I think any unprejudiced mind will agree that Æschines made far the better argument). All the other great speakers have, even in their most intense passages and in situations where life and death were involved, been comparatively quiet.

I remember, as if it were yesterday, the first great speaker I ever heard. It was Robert G. Ingersoll delivering a lecture in Des Moines, Iowa, in 1884. He had an audience which would have inspired eloquence in almost any breast. He came on the stage alone, and was very carefully and elegantly attired, even to the smallest item of his grooming. His address was in manuscript, and imperfectly committed to memory. He laid it down on a little table at the back of the stage (returning to it occasionally to refresh his memory), and then, in a very natural and matter-of-fact way, walked to the footlights and, looking the audience frankly in the eyes, began without an instant's hesitation and in a voice precisely as if he were talking to a friend.

But he was as dramatic at his climax as Edwin Booth ever was in "Hamlet." His face paled, or seemed to pale; his hands clenched with a desperate energy, and the whole attitude of the

man was that of one in awful wrath; and yet his voice was not raised above the common current of the evening's address—if anything, it was lower. While the mature mind cannot endure Ingersoll's rhetoric, it must be acknowledged that his manner of delivery (except when his levity made him coarse) was nearly equal to that of Wendell Phillips. Both of these men had that instinctive taste of the great speaker which Shakespeare has described better than any one else in literature, when he makes Hamlet tell the players not to "mouth it, as many of your players do. I had as lief the town-crier spoke my lines. Nor do not saw the air too much with your hand, thus; but use all gently: for in the very torrent, tempest, and (as I may say) whirlwind of passion, you must acquire and beget a temperance that may give it smoothness. Oh! it offends me to the soul to hear a robustious, periwig-pated fellow tear a passion to tatters, to very rags, to split the ears of the groundlings; who, for the most part, are capable of nothing but inexplicable dumb shows and noise: I would have such a fellow whipped for o'erdoing Termagant; it outherods Herod: pray you avoid it."

When I was a very young boy I saw a fist-fight which impressed me as powerfully as any lesson I ever learned at school. An over-tall and powerful man about forty years old had become very angry at a medium-sized but very compact man of about the same age. As his passion increased his violence grew until, finally, he was shouting his denunciations. The little man stood quietly, and also stood pat. Finally, with a great volume of sound, the big man rushed upon the little one with arms swinging in the air, and I looked with interest and curiosity to see the smaller man either run or be demolished. He did neither. His fists were raised, quickly but intensely, before him, and when the big man was almost upon him, it seemed to me that his right hand did not shoot out farther than ten or twelve inches—but it did shoot out, and the result was as if the big man had been shot sure enough. He fell like a slaughtered ox, but rose and came on again, only again to be knocked out. This continued for three or four times, for the giant was game, but, finally, he was "thrashed to a standstill," as the expression has it.

It was a great lesson in life, and a great lesson in speaking, which is only a phase of life. The victor came to the point. He did not dissipate his energies. It is so in the manner of speaking. The greatest contrast to the perfect method of Ingersoll which I ever beheld in a man of equal eminence was in the delivery of a lecture by Joseph Cook.

He came on the stage with ostentatious impressiveness. He sat some time before he was introduced. After introduction he stood with one hand thrust in the breast of his tightly buttoned frock-coat, and looked tremendously all over the audience for, perhaps, an entire minute. Everybody was awed. He looked so great. We all said to ourselves, "What a mighty man this is!" And, when that effect had been produced upon us, the first and great point of effectiveness had been destroyed —the speaker had made us think about himself, his manner, his appearance, his personality. All the evening we had to wade through that slough, trying to follow his thought. And this reminds me of a saying of Charles G. Dawes, one of the most astute politicians and most capable public men of recent development, which is:—

"The surest sign that a man is not great is that he strives to look great."

I think the best speech I ever heard for obedience to the rules of the art was an address of about ten minutes by a young Salvation Army officer on the streets of Chicago. I listened with amazement. He was, perhaps, twenty-three years of age, with delicate, clear-cut features, sensitive mouth, and marvelously intelligent eyes. I was just passing the group as he stepped into the circle that always surrounds these noisy but sincere enthusiasts. He took off his hat, and in a very low, perfectly natural and very sweet voice, speaking exactly as though he were having a conversation with his most confidential friend, he began: "You will admit, my friends, that human happiness is the problem of human life." And from this striking sentence he went on to another equally moving, showing, of course, that happiness could not be secured by traveling any of the usual roads, but only the straight and narrow path which the Master had marked out. It was as simple as it was sincere. And it was as conversational as it was quiet. Before he had finished

his audience had gathered into itself every pedestrian who passed during his discourse—business man, professional man, working-man, or what not.

The fight above described suggests the key to the matter, as well as the manner, of speaking. The American audience properly demands, above everything else, that the speaker get to the point. Our lives are so rapid; the telephone, telegraph, and all the instantaneous agencies of our neurotically rapid civilization have made us so quick in seeing through propositions; a hundred years of universal education have produced a mentality so electric in its rapidity that effective oratory has been revolutionized within a decade.

Burke would not be tolerated now. It is doubtful, even, if Webster would. The public had already tired of the lilt of Ingersoll's redundant rhetoric, pleasing as was its music. Speech must now be a statement of conclusions. The listeners, with a celerity inconceivable, sum up the argument on either side of the proposition you announce, and accept or reject it by an almost unconscious process of cerebration.

The most successful speech of to-day would be one of Emerson's essays, rearranged in logical order—if such a thing were possible. Therefore, in matter, the statement is the form of address most effective to-day. Senator McDonald, the greatest natural lawyer I ever knew, told me that the best argument in a case was always the statement of the case. This is true on the face of it, of course. In form, the sentences should be short; in language, the words should be as largely as possible Anglo-Saxon. These are the words of the people you address; therefore, they are most influential with them. Also, therefore, your best method of getting Anglo-Saxon is to mingle with and talk with the common people. Also, therefore, the next best method is to read the Bible, the King James translation of which is undoubtedly the purest fountain of English that flows in all the world of our literature.

What nonsense the repeated statement that public speaking has had its day, that the newspaper has taken its place, and all the rest of that kind of talk. Public speaking will never decline until men cease to have ears to hear. How hard it is to read a speech—how delightful to listen. Speaking is nature's

method of instruction. It begins with the mother to child; it continues with teacher to pupil; it continues still in lecturer or professor to his student (for the universities are all going back to the old oral method of instruction); and it still continues in all the forms of effective human communication.

The newspapers are a marvelous influence, but they are not everything and they do not supply everything. For example, it is commonly supposed that they absolutely and exclusively mold and control public opinion. But they do not. When all has been said, the most powerful public opinion, after all, is that from mouth-to-mouth public opinion—that living, moving opinion which spreads from neighbor to neighbor, and has fused into it the vitality of the personality of nearly every man—yes, and woman; don't forget that—in the whole community.

And the philosophy which underlies this is what makes public speaking immortal. The Master understood this very well, and that is why He chose to speak by word of mouth rather than by writing epistles. The Savior never wrote a single epistle—no, not even a single word. He spoke His Message. Think of a gospel announced to the world in cold type! Absurd, is it not? It may be repeated in that form; but its initial power must come from the spoken word and vital personality of its author. But it was not "extemporaneous." All His life He had been preparing His few sermons—lessons.

The great speakers to whom I have listened have confirmed certain conclusions upon the subject of speaking at which I arrived while in college. It seemed to me that the college method of speaking was wrong, because it was irrational—that the studied gestures, the "cultivated" voice, the staccato impressiveness, were all artificial devices to attract the attention of an audience to these things instead of to the thought of the address.

Analysis of the problem convinced me that an audience is only a larger person—a great collective individuality—and, therefore, that whatever, in manner or matter, will please, persuade, and convince a person, will have the same effect upon an audience. Hence, one readily deduces that a simple, quiet, and direct address, a straightforward, unartificial, honest manner,

without tricks of oratory, is the most effective method of lodging truth in the minds of one's hearers.

Any affectation, any mannerism, detracts from the thought, because it calls the attention of the listener to the mannerism or affectation, when his whole attention should be monopolized by the thought. Read Herbert Spencer on the "Philosophy of Style," and apply his reasoning to the delivery of an address, and you have the rationale of the art of speaking, as well as of speech, put with that wonderful thinker's unerringness.

The method commonly employed in preparing speeches is incorrect. That method is to read all the books one can get on the subject, take all the opinions that can be procured, make exhaustive notes, and then write the speech. Such a speech is nothing but a compilation. It is merely an arrangement of second-hand thought and observation, and of other people's ideas. It never has the power of living and original thinking.

The true way is to take the elements of the problem in hand, and, without consulting a book or an opinion, reason out from the very elements of the problem itself your solution of it, and then prepare your speech.

After this, read, read, read, comprehensively, omnivorously, in order to see whether your original solution was not exploded a hundred years ago—aye, or a thousand; and also, to fortify and make accurate your own thought. Read Matthew Arnold on "Literature and Dogma," and you will discover why it is necessary for you to read exhaustively on any subject about which you would think or write or speak. But, as you value your independence of mind—yes, even your vigor of mind—do not read other men's opinions upon the subject *before* you have clearly thought out your own conclusions from the premises of the elemental facts.

And as to style, seek only to be clear. Nothing else is important.

Consider the method of the Savior in His addresses to the people. Next to Him, those perfect specimens of the art of putting things are the speeches and epistles of St. Paul. I know of nothing in literature so clear, convincing, and logical. The words of the Master astonish one with their absolute unity

with all the rules of effective address. Especially His method of driving home a truth by repeating it, and that, too, in exactly the same words, is noticeable and very effective. He did not fear that He would be tiresome; He was concerned only in being clear. Take the following examples:—

Therefore whosoever heareth these sayings of mine, and doeth them, I will liken him unto a wise man, which built his house upon a rock.

And the rain descended, and the floods came, and the winds blew, and beat upon that house; and it fell not: for it was founded upon a rock.

And every one that heareth these sayings of mine, and doeth them not, shall be likened unto a foolish man, which built his house upon the sand:

And the rain descended, and the floods came, and the winds blew, and beat upon that house; and it fell: and great was the fall of it.—*Matthew* vii: 24–27.

Or study this:—

And if thy right eye offend thee, pluck it out, and cast it from thee; for it is profitable for thee that one of thy members should perish, and not that thy whole body should be cast into hell.

And if thy right hand offend thee, cut it off, and cast it from thee: for it is profitable for thee that one of thy members should perish, and not that thy whole body should be cast into hell.—*Matthew* v: 29, 30.

Or this:—

Then shall the King say unto them on his right hand, Come, ye blessed of my Father, inherit the kingdom prepared for you from the foundation of the world.

For I was an hungered, and ye gave me meat: I was thirsty, and ye gave me drink: I was a stranger, and ye took me in.

Naked, and ye clothed me: I was sick, and ye visited me: I was in prison, and ye came unto me.

Then shall the righteous answer him, saying, Lord, when saw we thee an hungered, and fed thee? or thirsty, and gave thee drink?

When saw we thee a stranger, and took thee in? or naked, and clothed thee?

Or when saw we thee sick, or in prison, and came unto thee?

And the King shall answer and say unto them, Verily I say unto you, Inasmuch as ye have done it unto one of the least of these my brethren, ye have done it unto me.

Then shall he say also unto them on the left hand, Depart from me, ye cursed, into everlasting fire, prepared for the devil and his angels:

For I was an hungered, and ye gave me no meat: I was thirsty, and ye gave me no drink:

I was a stranger, and ye took me not in: naked, and ye clothed me not: sick, and in prison, and ye visited me not.

Then shall they also answer him, saying, Lord, when saw we thee an hungered, or athirst, or a stranger, or naked, or sick, or in prison, and did not minister unto thee?

Then shall he answer them, saying, Verily I say unto you, Inasmuch as ye did it not to one of the least of these, ye did it not to me.—*Matthew* xxv: 34–35.

Consider Antony's funeral oration over the dead body of Cæsar, and note the same mastery of the art of repetition.

But, like all powerful weapons, it is dangerous to one who is not a natural speaker. It might easily be fatal, for remember that we are advised to "use not vain repetition as the heathen do, for they think that they shall be heard for their much speaking."

I doubt if any man can be a great speaker who does not have in him the religious element. I do not mean that he shall be good (one may be good and not religious, or the reverse, as any professor of mental and moral philosophy will tell you); but that he shall have in him that mysticism, that elemental and instinctive conviction of the higher power and its providence which makes him in sympathy with the great mass of humanity. Emerson has pointed out that the great speaker —yes and the great man—is he who best interprets the common feeling and tendency of the masses.

The profoundest feeling among the masses, the most influential element in their character, is the religious element. It is as instinctive and elemental as the law of self-preservation. It informs the whole intellect and personality of the people. And he who would greatly influence the people by uttering their unformed thought must have this great invisible and unanalyzable bond of sympathy with them. I will let your preacher work this out more elaborately for you.

One word more; and to this word listen and harken and bind it on the tablets of your understanding. *Insincerity cuts the*

heart out of all oratory. You may marshal your arguments and concoct your pretty devices of words and work yourself into a great heat in the speaking of them; but if you do not believe what you say you are only a play-actor after all—a poor mummer reciting your own lines. You had far better be a professional actor—that will, at least, insure you excellent lines to declaim.

To effect anything; to achieve a result; to make your words deeds, as the old Scotch thinker declared they should be or else not to be uttered, you must *teach.* And in your teaching you must teach "as one having authority." To the Master we must go, after all, even for our methods of utterance; and at His feet learn that oratory is the utterance of the truth by one who knows it to be the truth. And so will your words be words of fire and your speech have weight among your fellow men.

BUSINESS AND INDUSTRY

HOWARD—YOUNG

SIR ESME HOWARD

A SALES REPRESENTATIVE OF JOHN BULL AND CO.

The following address was delivered by the British Ambassador to the United States before the New York Advertising Club at a luncheon on January 23, 1926, given in the Ambassador's honor. The Ambassador introduces himself as a sales representative of John Bull and Company and discusses his experience as a rubber grower and also British market conditions in general. The Right Honorable Sir Esme Howard was born in 1863. He has been Minister to Switzerland and to Sweden, and Ambassador to Spain and was a delegate to the Paris Peace Conference. He became Ambassador to the United States in 1924.

ADVERTISING is one of the necessities of modern life and the part played by the advertiser in introducing the buyer to the seller is a most important and useful one. Indirectly, also, advertising is of the greatest importance for the education of the public, for the great papers of to-day could not possibly supply their readers with news from all parts of the world without the assistance of advertisements. I confess I am quite ignorant of advertising psychology, but it always appears to me to be a peculiarly difficult art, for the advertisement must draw to itself the attention of the public in a forcible way but without producing irritation or antagonism in the reader, which is fatal to the object in view and likely only to have an effect the exact opposite to that desired.

Now, if I may venture to make a timid and personal criticism of certain advertising methods, I should be inclined to say that too much stress has been laid on the publicity side with regard to what we in England call "posters" and too little on the danger of causing annoyance or irritation in the minds of those that read.

To take an extreme case: The pure publicity man if he could get a colored light advertisement recommending Mr. X's patent flea powder on the tower of the Houses of Parliament in London or Mr. Z.'s pink pills on the dome of St. Paul's, would perhaps think that this would be a great achievement and he would not take into account the harm that would be done to his client by arousing a hostility complex in the minds of the public.

I hope I may not be accused of being a captious critic of a business which I, like all the rest of the world, recognize as one of the mainsprings of modern life.

And now I shall venture to tread this delicate ground of publicity myself—feeling that you surely will not quarrel with me if I do what you do every day of the year on behalf of your clients, namely, a little reasonable boosting on behalf of my principal, John Bull and Company.

Now, I have noticed that there has been a tendency of late to suppose that this old and respected firm of John Bull and Company was in very low water, that their business had so far decreased and their credit was so impaired that they would soon have to ask for easy terms and maybe to stop payments altogether. I have even been interpreted by my friend, Colonel Harvey, as having given expression to some such thought myself in a speech which I made in New York last spring. Well I daresay it was my fault and that I did not express myself clearly enough.

What I intended to say then I do not mind repeating again now. It amounted to this, that as John Bull and Company are a nation of shopkeepers who live mainly by trade, unless the firm's old clients, who had been badly hit by the World War, were speedily put on their legs again, they would not be able to make purchases on the old scale from the old firm, which in turn would have to restrict its own purchases and might ultimately, as a result of shrinking business, be unable to meet its liabilities, as it has always done on the exact date of their maturity. That, however, was even at that time only a distant and contingent possibility. And I added that if a sense of general security were restored in Europe we might surely expect a general economic revival by which John Bull

and Company would not be the last or the least to profit. Now, I am thankful to say, the prospect is really much better.

The Effect of the Locarno Pacts

The change for the better has undoubtedly come from the day the Locarno Pacts were initialed. Those Pacts have, to a very remarkable and astounding degree, restored confidence and reëstablished credit in almost all countries in Europe and so revived hope in a more prosperous future. Men who before hesitated to risk anything in a commercial venture are beginning to feel that some risk can reasonably be taken and orders are fortunately beginning to come in, factories are beginning to work again and the number of the unemployed to diminish.

The worst time we have known perhaps for generations occurred toward the end of last summer when 12½ per cent of the male population of Great Britain were unemployed and the unfavorable balance in trade in exports and imports was mounting up against us in an alarming way. Railways and many industries were reported to be drawing on their reserves to meet obligations. For nearly six years since the Armistice was signed, conditions had grown steadily worse and no end of the depression appeared in sight. There was the situation in August last, and it must be admitted that it was scarcely encouraging. In spite of all, the British Government had funded its foreign debt, had balanced its budget, had paid off no inconsiderable portion of its national debt and brought its currency almost to par, which was no mean achievement. But it was not unnatural that in view of then existing conditions there were persons, some sincerely friendly, others not, who predicted that Great Britain was down and out and that John Bull and Company were heading for bankruptcy. It is by no means the first time in history that requiems have been chanted over the corpse of British commerce. The corpse, however, has an inveterate habit of sitting up to take part in the rites and walking briskly away from its own funeral.

Now, for my part, I shall never believe that Great Britain is down and out until I see it. I believe that there is still the old stubbornness in resistance to defeat in the British race which has helped it to recover from so many defeats and to weather so many hurricanes. I may be entirely wrong, but I trust more in the spirit and temper of the people than in anything else. I don't believe that spirit and temper has really changed and that the mixture of stubbornness and pliability or adaptability to circumstances however adverse will still be able to rise to whatever the occasion requires. But the situation is fortunately more hopeful to-day than it was in August last and the restoration of confidence on the Continent of Europe has undoubtedly contributed largely to this beneficent change.

The Chancellor of the Exchequer, speaking recently to the Engineers' Club in London, called attention to the fact that, though the total world trade done in recent years was less in volume than before the war, Great Britain's share of the diminished total was actually larger than in 1914, and he quoted the *Economist* to show that no fewer than 450 separate typical businesses showed an improvement in "profitability" of 11 per cent as compared with 1923.

At the beginning of December last it was officially stated that in the preceding eight weeks there had been a net reduction of 138,000 in the unemployment figures.

I don't want to bore you on an occasion of this sort with figures and details, but I may say this: that the situation in the iron and steel trade is decidedly improving and more orders are coming in; the automobile industry is particularly active and prosperous.

In shipbuilding, although there are fewer Admiralty orders than before, better times are expected as the surplus ships built during the war become obsolete.

Building, woolen textiles and cotton textiles seem all to be looking up again and the linen industry reports improvement. The retail trades are, if anything, too active and the amounts collected by the Treasury in direct taxes show that a large proportion of the population is receiving a comparatively comfortable income.

The British Coal Situation

But we may say that unless the coal problem can be satisfactorily solved, the rest is of only secondary importance. Coal is the foundation, the heart of British industry. The future of the industry is still in suspense. We cannot tell if the Royal Commission or any other body can play fairy godmother and indicate a means of saving many British coal mines from closing. We cannot, therefore, say we are out of the woods and it is no time for throwing up our caps and shouting. The situation is still serious enough, but despite the forebodings of all Cassandras I believe that England will, as before, adapt herself to the requirements of the moment and win through accordingly.

Well now, that finishes my little bit of advertisement and may I now for a minute or two pass on to make a short explanation of a matter which has for some time past considerably exercised public opinion in this country. I refer to that most useful material known as rubber, specially provided, one would suppose, by nature to ward off inconvenient and unpleasant shocks but which latterly seems to have lost this pleasant quality and to be charged with an all too electric shock-creating power. And in this connection I should like to give you a little personal history. About thirty years ago I left the diplomatic service and wished to enter the House of Commons, but not being largely blessed with this world's goods I thought I might try to add to my slender store. It so happened that, at that time, I made friends with the manager of the greatest rubber manufacturing firm in London and from conversations with him I became convinced that the demand for rubber would shortly, in a few years, outrun the supply. I was also sentimentally interested in the West Indian Islands and therefore I determined to try to kill three birds with one stone, to help by experimental plantation to meet the world's demand for rubber which was bound to come, to assist the West Indies back to prosperity and also to provide myself with the funds necessary for an independent political career.

I can say I took no chances. I traveled for two years, at my

own expense, in the Amazons and in Mexico and the West Indies accompanied by a botanist who has since risen to eminence in the University of Cambridge. Well, in spite of that, to make a long story short, we planted the wrong kind of rubber tree in the West Indies and after waiting for over ten years to see if the tree we planted—the *Castilloa Elastica* of Mexico and Central America—would bear productively in plantations, we found it would not and were obliged to cut them all down. I lost my time and my money and what was worse the money of my friends who had joined me in the venture.

I saw the other day in a paper that when the word "rubber" was mentioned an Englishman's expression was like that of the cat caught by the empty cream jug or the empty canary cage. You will understand that the word rubber does not produce that particular kind of satisfaction in my soul.

But the moral of all this story is this: A few years after I began planting rubber the prices began to soar up so that before the century closed they went up well over two dollars. In the meantime, other people had the same idea, only they planted in other parts of the world, mainly Ceylon and what are called the Straits Settlements in the Malay Peninsula—and for the most part they planted another tree, the *Hevea Brasiliensis* which, unlike the *Castilloa Elastica*, did well when planted and produced rubber latex freely. The result was that the price of rubber went down steadily, until the war came and sent all prices up for the time being.

Prices, however, dropped again after the war to a point at which it was no longer profitable to work certain of the plantations and unless something could be done to save many of them, they would have had to be abandoned and would have gone out of cultivation. This would have caused prices to rise again automatically by naturally restricting the output and doing so in such a way that it would have been impossible to meet at once an immediate and urgent demand, while at the same time ruining a number of people who had invested their money in planting. It was literally a case with many plantations of—"To be or not to be—that is the question—to plant, perchance to sell—Aye there's the rubber."

The Governments of Malaya and Ceylon then took the mat-

ter up and after having failed to induce the estate owners to get together and agree upon voluntary restriction, passed a law which limited the exportation of crude rubber, in such a way, however, that the shipments of rubber should be increased as prices rose.

The machinery created by this law was absolutely automatic and it is quite accurate to say that, since the price on the consuming markets provided the only lever by which it worked, its operation was placed, not in the hands of either the growers or the Governments but in the hands of the consumers in this and other countries. There were no mergers of plantations authorized and no monopolies of any kind were created or encouraged.

A very large proportion of the production of rubber in British territory was, and is, in the hands of small planters of very moderate means. Had those small plantations been allowed to revert to jungle what would the situation have been to-day? Much worse, I venture to think, than it is. Those plantations were saved by the restriction acts. New planting was encouraged which would otherwise not have been undertaken and though for a time prices have undoubtedly exceeded what might be termed a rate of reasonable profit, yet, as I say, the plantations were saved and the possibility of immediately increasing the output as and when prices rose up to or above the fair profit producing level was secured.

Though we may all admit that the restrictions might, perhaps, have been more rapidly removed, we should, I think, also admit that the increase in demand was phenomenal and unexpected and that in the long run the Stevenson Act as it is called was for the benefit not only of the planters but also of the consumers. And this further admission I think should in fairness be made that but for these same planters who risked their time and their money, as I did, when the whole business was in a purely experimental stage and knew they would have to wait at least ten years for their returns, a prospect that does not appeal to the ordinary investor, prices might now be at $3, $4, or $5 a pound, if the consumer had to rely on wild rubber.

I really think that taking all things into account the consumer owes some debt of gratitude to these pioneers without

whose foresight, energy and initiative he would now undoubtedly be paying infinitely more with no prospect of an early reduction when restrictions are removed and 100 per cent of standard production is released on February 1.

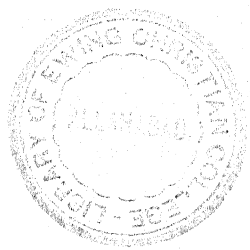
The Consumer's Debt

Further, I should like to say this to clear up a point which the American public does not seem to understand. Although prices for crude rubber touched exceedingly high levels for a few months last year, the average price for the whole year was only about seventy-three cents a pound and the average for the past five years has been only about thirty-two or thirty-three cents. Neither the Government of Great Britain nor that of the Straits Settlements gets anything out of it except in so far as increased prosperity increases revenue derived from ordinary taxation. Further, it is in no way discriminatory nor aimed at the American consumer for the British consumer all over the world pays just as much as the American and, incidentally, seems to be objecting to doing so. In these circumstances, I hope you will agree with me that the words extortion, hold-ups, gouging, etc., which have been frequently used in this connection are, to put it mildly, as Mark Twain said of the reports of his own death, perhaps a trifle exaggerated. If to quote an old English proverb—"soft words butter no parsnips" neither are hard words milch cows from which we extract the milk of human kindness.

I am quite willing to agree that monopolies in raw materials exercised by Government action are generally speaking a misfortune and likely to lead to international friction—but there may be cases which are exceptions and require exceptional treatment. There may be times when the Government may have to legalize arrangements which are not strictly in conformity with economic law in order to save an industry temporarily threatened which is of importance, not only to the country of that industry, but also ultimately to the world at large. I confess I have not gone deeply into this rubber matter, but I feel convinced that, unless the situation had not been really very serious for the plantations, and for the Straits Settlements which depend to a great extent on the plantations, the British

Government would not have consented to a policy which is at variance with its usual methods and practice.

And so, the moral I would draw for both our countries over this pother about rubber which I believe will be happily forgotten very shortly is this. When causes of friction arise between us, as they are sure to arise from time to time since that is only human, let us try, before using strong language to each other, before imputing to each other all sorts of unworthy motives, to examine as impartially as we can all the reasons at the back of the action under dispute. Then if we have criticisms to make let us make them by all means as friends to friends and without creating unnecessary bitterness. Critics of America in Great Britain have often been in the past as disagreeable as critics in America of Great Britain and if I have ventured here to appeal to both in the interests of good understanding, I hope my temerity may be excused and that nothing I have said will be taken as impertinent interference.



WILLIAM E. HUMPHREY

THE FEDERAL TRADE COMMISSION

The following address explaining and vigorously defending the new policy of the Federal Trade Commission was delivered before the Economic Club at the Hotel Astor, New York City, on April 28, 1926. The Honorable William E. Humphrey was born in 1862 and has been a resident of Seattle, Washington, since 1893. He was a member of Congress from 1903 to 1917, and in 1925 was appointed a member of the Federal Trade Commission.

THE Act creating the Federal Trade Commission provides that it is the duty of the Commission, whenever it shall have reason to believe that a party is using any "unfair methods of competition," to proceed against such party, provided that it shall appear to the Commission that such proceeding *"would be to the interest of the public."*

In the *"interest of the public"* is the chart and compass that should direct always the course of the Commission. Since I became a member of the Commission, although it has been but a short time, many changes have been made in its purpose and methods. I believe these changes are right and in the public interest I believe that these changes are in the interest of honest business. It is my purpose to tell you briefly some of the more important changes that have been made, and why they were made. For all these changes, the credit and responsibility belongs equally to each member of the majority of the Commission.

The majority believe that those engaged in business are generally honest. The foundations of the changes in the rules are found in the fact that the majority believe that there should be some reasonable showing before branding as crooks those accused of breaking the anti-trust laws. We demand

evidence. We refuse to convict on suspicion and possibilities.

In the past, when a complaint was received, an *ex parte* investigation was made. Sometimes these investigations were extensive, often they were superficial, and not infrequently they were merely formal. Upon such an investigation, a complaint was issued against the respondent—that being the term used to designate those against whom the Commission proceeds—and immediately upon the issuance of this complaint, the Commission itself officially gave out publicity as to the charges against the respondent. Such publicity, coming with the official stamp, especially in cases where the respondent was prominent or the political effect important, was given wide circulation. Particularly was this true of any sensational statements made in the publicity. It sometimes happened that the respondent knew nothing of the matter whatever until he saw himself advertised as a crook by the headlines in the public press, and never was the respondent given an opportunity to be heard before such publicity was issued. It frequently happened that thereafter, on the hearing of the case, sometimes months afterwards, sometimes years afterwards, it was found that the respondent was entirely innocent and the case was dismissed. But this dismissal brought no headlines in the press. It was not news. It furnished no text for socialistic and bolshevist propaganda. It furnished no political weapon for those who preach the doctrine of universal dishonesty in the conduct of American business. The injury done to the respondent, the poison injected into the public mind was not removed by the dismissal of the case.

My mind goes back down the centuries to a scene enacted in the streets of Jerusalem, one of the outstanding events in the record of the race, when the mob cried out for the death of Paul, the greatest of the apostles. To satisfy this cry the chief captain, not knowing whether he was guilty or innocent, or even what the charge might be against him, ordered that he be scourged. They seized and bound him. Then Paul asked them the question that has lived through the ages—"Is it lawful to scourge a man, a Roman citizen and uncondemned?" When the centurion heard this question, he told the chief captain and warned him of the consequences of scourging a Roman

citizen without trial. Immediately the chief captain ordered the apostle unbound and set free.

We are told that in that elder day to be a Roman was greater than to be a king. In this day, certainly it is greater to be an American than it was in that elder day to be a Roman. Should we show less consideration to the American citizen than was shown to the Roman citizen? Personally I do not believe that we should to-day at the cry of the mob, the Bolshevist, the reformer and the fool, treat the American business man as only a barbarian was treated nearly two thousand years ago. I think the time has come to stop scourging American Business first and finding out afterwards whether it is guilty or innocent.

Let me give you an illustration. In giving these illustrations, the facts may not be exactly as they occurred. If they are not, they might very easily have occurred. The Commission issued a complaint against a company, charged with having illegally acquired the stock and assets of several competitors. That respondent had arranged to borrow some forty million dollars to finance this transaction. When the case came to trial, it was found that the transaction was perfectly legitimate and would have been to the public interest. But what a travesty on justice! The publicity given out when the complaint was issued caused the banks to withdraw the loan, the credit of the respondent was destroyed, it was a bankrupt long before the case was heard. Not only the respondent, but the other companies that were to be consolidated with it, were ruined, and a great, legitimate industry destroyed. Both the public and the respondent were entirely without redress.

Settlement by Stipulation

There is another change we have made that I think is of tremendous importance. We have adopted a rule that when our investigators make a report and we deem the facts sufficent to warrant the issuance of a complaint, we give the parties accused an opportunity to be heard before we issue a complaint. We believe that this is only fair and just, because we have heard those who have complained against the respondent.

Usually those making complaints are competitors of the respondent, and inasmuch as they had made their statements, we thought it but fair to give the respondent an opportunity to state his side of the case. After the respondent has made his statement, if we are satisfied that he is violating the law and is willing to sign a stipulation that he will quit such practice, with a condition in such stipulation that if he fails to keep it, that such stipulation may be used against him, we accept that stipulation instead of proceeding to trial, and the action is dismissed.

Remember that we have no power to punish. We have authority only to issue orders to cease and desist. If the respondent agrees by stipulation to quit the practice complained of, why is not the public interest as fully protected as it could possibly be by the issuance of an order?

It seems to me that our plan of stipulation not only accomplishes all that can be secured by trial, and saves the public expense, but that it is in harmony with the spirit of our jurisprudence, that always hold out every inducement to settle controversies by compromise and settlement without litigation, so long as the public interest is protected. And let it not be forgotten that in many cases a stipulation can be secured where conviction on trial would be impossible.

Do not forget that our rules in regard to publicity and to stipulation do not apply in cases where the business itself is inherently fraudulent or where the business is legitimate but is conducted in such a manner as to show the dishonesty of those engaged in it, or where the record and reputation of those complained of are such as to warrant the Commission in believing that a stipulation would not be honestly entered into, or honestly observed. To this class of cases belong stock selling schemes, those that commonly come under what is designated as the "Blue Sky Laws"; the so-called industrial schools, with their false and misleading advertisements, that are robbing and blackmailing the ambitious young men and women of to-day who are endeavoring to better their conditions; the merchant who sells one class of goods and delivers another to the purchaser. The public interest demands in cases of this kind, an immediate exposure of such parties. Stipulations with

them would not be justified on any ground. The Commission will give the widest publicity in its dealings with crooks. We accept no stipulations from this class. We call the attention of the Department of Justice to such cases when we believe they should be prosecuted, and to the postal authorities when we believe a fraud order should be issued.

Objections to Stipulations

Nothing has aroused greater opposition from those who are opposed to the change in rules than our policy in settling cases by stipulation. Our opponents say that this should not be done; that in all cases where stipulations are warranted, the case should proceed to trial. As I construe it, the primal duty of the Commission is to protect the public from unlawful practices. If this can be accomplished by stipulation instead of litigation, leaving out of the question the great cost to the taxpayer in these days of dire necessity for economy, what can be the objection to so stipulating? I know the objection voiced by the opponents to such procedure. They say that they want to terrorize dishonest business. To use the stock phrase of the professional demagogue, they tell us that they want to "put the fear of God into the hearts of the dishonest."

I will not stop to discuss whether giving publicity—parading on front pages, over sensational headlines the details of fraud and vice and crime, tends to lessen these evils or benefit the public. But while we are terrorizing the ten men in business that are dishonest, are we not at the same time terrorizing the ninety men that are honestly trying to obey the law? It is absolutely dishonest to claim that there is a clear and distinct line between what is and what is not unlawful under the anti-trust acts. It is, therefore, absolutely dishonest to say that when they are violated, it is always done purposely. It is absolutely dishonest to say that when men violate the anti-trust act, their action is always as reprehensible and that it is done as knowingly as when men violate laws that for ages have been recognized by common consent without statutes. The Supreme

Court of the United States has many times divided upon what action constituted an unfair method of competition.

Only within the last few weeks, two cases of very great importance have been decided by the Supreme Court of the United States, in which the judges were divided, four to five, as to whether certain facts constituted a violation of the law. If that great Court, the greatest that the world has ever known, with men whose integrity is above suspicion, and of great ability—if these men cannot agree always upon what facts constitute a violation of the Anti-Trust Laws, how can any sane and honest man say that a business man always knows with certainty when he is violating the Anti-Trust Laws?

The chief objection to settling cases by stipulation lies in the fact that it tends to lessen the publicity that the demagogue and the fanatic wish to use in their propaganda of socialism and discontent.

Result of Stipulation

The proof of the pudding is the eating thereof. What has been the practical result of this rule of stipulation? It has now been in effect just one year. I know of no way so fairly to show what has been accomplished under the new rule, as to compare with it what was done under the old rule for the last year of its existence. Particularly do I think this a fair comparison, as the minority who now oppose the new rule had complete control of the Commission's affairs during the last years of the old.

During the last year under the old rule, the Commission issued 54 orders to cease and desist. That means that by these orders the public was protected from the unlawful actions of 54 concerns, assuming that none of these cases were appealed and that all the orders were obeyed, a supposition that is, of course, not correct. Under the old rule, the public was protected from the unfair practices on an average of one concern each week. I submit that this is not a bad record, and shows that the Commission was justifying its existence.

Let us look at the other side of the picture. What has been

the result of the first year under the new rule? Of course, it took some time for the new rule to come into full force, especially as it applied only to cases brought after its adoption. During the first year of this rule, in spite of this restriction, the public was protected from the fraudulent practices of 270 concerns—54 by orders and 216 by stipulation. In other words, the new rule has given the public five times as much protection as the old, and, of course, the one great purpose of the establishment of the Commission was to protect the public interest. Or, to state it in another way, using the first year of the new rule and the last year of the old rule as a basis of comparison, we have accomplished more under the new rule in one year than we would have accomplished under the old rule in five years.

The big thing, the overshadowing thing, in the work of the Federal Trade Commission, is protecting the public from these violations of law, which injure the public in countless ways. But there is also another side to this question, worthy of consideration, in these days of tax burdens such as the American citizen has never before carried—that is, the question of economy. Under the present rule of stipulation, the cost of settling cases as compared with the old system, is nominal. It costs $2,500 more in each case to protect the public by trial and order than it does by stipulation. The new rule has already, in its first year, saved the American taxpayer approximately $700,000.

These figures assume that the cases against the 270 concerns would have been tried and orders issued therein within the year. But, as a matter of fact, we know it would have taken several years to stop these 270 concerns by trial and order.

When you take that view of the situation, the new rule has saved the taxpayers of the country, in the first year of its operation, several million dollars, and when we remember that if all these cases had proceeded to trial instead of being settled by stipulation, not only would it have taken several years, but during that time, a large number of concerns would have continued their fraudulent operations to the injury of the public, the value of this new rule of stipulation to business and to the taxpayer cannot well be overestimated.

To sum it up, the new rule has demonstrated the first year that it has saved the public from the fraudulent practices of more concerns, has given greater protection to honest business, has saved more money to the taxpayer, than would have been done under the old rule in five years.

Let me point out another great benefit of this rule. When I went upon the Commission, we were more than 500 cases behind our docket. Under this new rule, for the first time in the history of the Commission, it is more than keeping up with the work. We are now even with the docket. We are taking care of all the new cases and have disposed of practically all the old cases. This means that hereafter, when a case is brought, instead of being months or years in deciding it, it will be disposed of promptly. There are cases upon the docket now that have been pending from five to nine years. To dispose of cases promptly will give added relief to the public and save money to the taxpayer, be fair to the accused, and of advantage to all concerned. By this new rule of stipulation we are settling more than 75 per cent of the cases of law violation promptly, saving the time of the Commission and money of the taxpayer, preventing of wrong by unjustified publicity both to the public and the accused, and above all, we are more fully protecting the public interests.

I have spoken in different parts of the country upon this rule of stipulation. I have watched with some care the press comments and I have yet to find a single American citizen that has not approved this stipulation rule, except only that class intent on spreading the propaganda that success and dishonesty in American business are synonymous.

Documents Voluntarily Submitted

Recently the press and certain members of Congress have had much to say because the Federal Trade Commission refused to turn over to the Department of Justice certain documents we had in the celebrated Aluminum case.

It is true that we did refuse to turn over certain papers to the Department of Justice in this case, but the rule was not

adopted for the purpose of the Aluminum case—it was adopted and in force long before the Aluminum case arose. Those who criticize this action on behalf of the Commission strikingly illustrate what Shakespeare so truthfully describes as "lying with a circumstance." In other words, they do not tell the whole truth. The papers we refuse to turn over to the Department of Justice are papers that are voluntarily submitted to us in confidence; documents that we have no right to demand and cannot compel the parties to give us, documents that are voluntarily given to us in confidence and under promise to the parties giving them that such documents will not be used by any one else.

We wish to have the confidence of business and of the public. We cannot expect that confidence unless we deserve it. We cannot deserve it, if we practice deception. If we were to betray the confidence of those, who in confidence, and under promise of protection, submitted to us documents that we requested—and that we could only secure by their voluntary action—we would deserve the condemnation of all decent men. I want to emphasize that all the shrieks and demonstrations, and misrepresentations of self seeking demagogues, paid reformers, and salaried patriots, seeking only their own selfish advantage, will not make us do this infamous thing.

I want the citizens of this country to know that the Federal Trade Commission will deal with them on the square. If they deal with us confidentially, that confidence will not be betrayed. If they submit documents to us under such circumstances, such documents will not be used by any one but the Commission, except upon the permission of those giving them to us, or upon a proper order of the court.

Whatever may have been done in the past, I want every one to know that hereafter the Commission is not going to act as a smelling committee or detective agency for any other department of the Government.

Our Creed

I express the faith of the majority of the Commission as it is composed to-day, when I say:

We do not believe that success is a crime;

We do not believe that failure is a virtue;

We do not believe that wealth is presumptively wrong;

We do not believe that poverty is presumptively right;

We do not believe that industry, economy, honesty and brains should be penalized;

We do not believe that incompetency, extravagance, idleness, and inefficiency should be glorified;

We do not believe that big business and crooked business are synonymous.

True we will give closer scrutiny to big business than to small business, because of its greater power for good or evil.

We believe that 90% of American business is honest.

We believe that 90% of American business is anxious to obey the law.

We want to help this 90% of honesty.

We want to control or destroy the 10% that is crooked.

In this endeavor, we want your help. We hope to deserve it.

SAMUEL INSULL

JUST AS ONE FRIEND TO ANOTHER

Mr. Samuel Insull was born in London in 1859, came to this country in 1881 and became private secretary to Thomas Edison. Mr. Insull has been president of electrical enterprises for forty-three years and his principal center of operations was and still is the Chicago area. In 1912 he organized a holding company which despite the War has expanded remarkably. Its subsidiaries now reach fifteen states of the Union. The two speeches which follow are reprinted with permission of Mr. Insull from "Public Utilities in Modern Life," Chicago, 1924. They are admirable examples of friendly, intimate, personal talk from the president of a great corporation to his fellow employees. The first speech was delivered at the annual meeting and entertainment of the People's Gas Club held on December 6, 1923, in the Gas Building, Chicago.

My first duty is to present the prizes of the year. [This was done, and the speaker continued.] I want to say a word in relation to the prizes offered for suggestions. Many people who are a little bashful about making suggestions are not sufficiently appreciative of their own ideas. Simply because a thing may seem trivial to you is no reason why a suggestion based thereon may not contain in it the germ of something which may be of great use to this institution.

My advice to all of you is to put on your thinking caps; see if you cannot suggest something that may have a good effect on our business. Don't cast an idea aside simply because you think it is trivial.

There have been times in the past when I addressed you when conditions looked somewhat discouraging, but the business of The People's Gas Light and Coke Company is of so substantial a character that when we had a little breathing spell to adjust ourselves to new conditions and to the rising costs of labor and material, we found that things began to improve.

All of us, from the highest to the lowest, from the president down to the humblest worker in our stations, have reason to congratulate ourselves that we are associated with a business such as ours, which has overcome its troubles and is in a sound condition, satisfactory not only to those who work in the business but to those who own the business (including many employees) and to the whole community as well.

Employees produce the product and the customers consume it. We have to rely on both. We want them interested. We want them to join with us and become owners of this great property. I do not know of anything that would tend more to stabilize our business and tend to put us in a position where we would have the good will of the entire community than for the community as individuals to have an interest in our property as stockholders.

Aiming at Increased Sales and Lower Rates

In 1914 we sold 20,500,000,000 cubic feet of gas, and our gross revenue amounted to $16,800,000. We estimate that in the year 1923 we shall put out about 31,000,000,000 feet and that our gross income will be well toward $31,000,000.

Increase in gas sales of 1923 over 1922 is a little less than 6.75 per cent. The increase of 1923 over 1914 is almost 50 per cent.

On August 1, 1923, our rate was cut approximately $1,500,000 in gross revenue so that the 1923 figures contain six months' earnings at the old rate, or approximately $750,000 more than if the new rate had been in effect for the whole year 1923. In 1918 our industrial sales, that is, sales of gas for use in manufacturing establishments, were 5,900,000,000 feet; in 1923 they will amount to approximately 8,000,000,000 feet or an increase of 33 1-3 per cent over the industrial sales of 1918.

We hope eventually to do a much larger business than we are doing to-day, and when we do it we hope to do it at a much lower cost to our customers. The policy on which this institution is being run is to give our customers the lowest possible price consistent with paying fair wages to our employees and

fair dividends to our stockholders. Naturally that low price is greatly facilitated by increased sales, and that is the reason we are trying to build our business up as rapidly as we can.

As to group life insurance: Taking (1) the amount of the insurance that the company presents to you and (2) the amount of insurance you pay for yourselves, we have the great sum of $6,960,200 of life insurance carried, either at the expense of the company or at their own expense, for the benefit of our employees. It is a pretty good tribute to the general sentiment of our employees toward our plan that 86 per cent who could avail themselves of this extra and additional insurance [that is, additional to the company's gift insurance] took it out. It shows that employees have a sense of obligation to the members of their families—to those who will be left behind when they are gone.

That indicates the fundamental basis of good citizenship. If a man or woman has no sense of obligation to those of his own blood, you cannot expect him to have any sense of obligation to those in the community around him. The real basis of fulfilling one's duty to one's city and one's country is to start out and fulfill one's duty to one's own.

Theory of the Pension Fund

People who devote their lives to a business have a just claim against that business for provision for their support when they are unable to work any longer. That is the theory of our pension fund. We consider that a provision for the employees of the company when the day comes that they can no longer work is just as much a part of the cost of manufacturing gas as the salaries and wages we pay, or as the coal and oil that we buy, or as the capital that we employ.

We have other things in mind, and some in operation, that we think will supplement these two agencies. One is the savings fund, which is quite an important contribution. We hope to get to such a position here that if a man or woman will pay three or five per cent of his or her earnings regularly into

securities bought by a board of trustees for our savings fund, and then will spend his life working with us, that when the time comes for him to leave off work the combination on the return on the investments obtained through the savings fund and the pension he will receive will enable him to end his days with an income about equal to that of the years of his highest earning capacity.[1] Then when he dies he may leave those securities to his family, supplemented by a substantial amount from the company's life insurance and from the life insurance that he has carried himself.

There is nothing like thrift and the savings resulting therefrom to change one's point of view, and it is seldom impossible for any one earning ordinary wages or an ordinary salary to be situated so that he cannot save. The trouble with most of the savings of the great mass of people of slender means is that they are not well invested. Most folks would be better off to leave their savings in a savings bank and get three or four per cent with compound interest than to take the great chances that they so often take in the purchase of so-called investments. Many families suffer in old age from bad judgment in investing.

I do not know of any better way to save money than to put it into securities of local public utilities. I know if I ever lose money it is because I go into a venture outside of my own line of business. The safest thing, from an experience of now nearly fifty years, that I have been able to find, is to buy the securities of the business I am engaged in and that I know something about. My recommendation to you people is to do the same thing.

Lake Delavan Summer Resort

We have joined with the Commonwealth Edison Company and the Public Service Company of Northern Illinois in pro-

[1] Employees' savings funds have been notably successful in companies under the Insull management. That of the Commonwealth Edison Company had been in existence for fifteen years in three periods of five years each and has now entered on a fourth five-year period.

viding a place on Lake Delavan, Wisconsin, where the employees of the three companies can get a little country air at the time of their annual vacations.

The spot is a lovely one and delightfully situated. The accommodations last year were naturally limited because we had just taken the property over, but the three companies are spending a large sum of money to have the right kind of summer-resort accommodations for all classes of their employees. The companies are perfectly willing to provide the place and spend the necessary money for development. When that is done they hope it will run on about a self-supporting basis. There is a good summer hotel there. There are some good cottages there. There are facilities for bathing, boating and fishing. We are making such arrangements that any of you who want to have a cottage and keep house for yourselves can do so. Any of you who want to go up there and camp out can do so.

We want you to feel that it is your place. We have no ax to grind in purchasing it except to add to your pleasure and comfort and to help you build up your health resources. We want the place not only to add to your enjoyment but to be a help in building up the acquaintanceship, friendship and fellowship of our institutions.

We want the girls to go there. We want them to feel that in going there they have the protection of every man who works for any of these three institutions. We want their mothers and fathers to feel that they are perfectly safe there, and that they are as much protected at Lake Lawn as they would be in their own homes.

We want to bring about the closest possible relationship between all who work in this organization and the executives of the organization. We want to get as near a family affair as we possibly can.

A Chance for Every Boy and Girl

We want every boy and girl, when he enters here, to feel that he wants to stay here, and that there is ample room for advancement in an institution of this character. I can look

around this room and see men who occupy prominent positions in this institution who started in pretty low down on the staff. There are none of them who began any lower than I did when I started in to work myself, which will be fifty years ago next July. None of them had to work any harder than I did when I started in. None of them had to work for any less money than I had to work for when I made my beginning.

I know of no better chance for young men or young girls who want to make their careers in business or in other ways. I might say to the young girls that there is no better place to look for husbands than among the young men who are advancing, going steadily up the ladder, in The People's Gas Light and Coke Company, especially if that young man is saving his money. Let me tell you, girls, do not have anything to do with him unless he is a fellow who looks after his own people. He will not look after you if he does not look after his own when he is younger and before he has anyone else.

Everybody who works for the company ought to be a member of the People's Gas Club. It simply needs a little organization and a little effort on the part of those who take an interest in the institution to bring that condition about.

I want to advise the young men especially of this institution to learn something about the gas business. Visit our manufacturing plants; get up some parties to go down to the Chicago By-Product Coke Company and see what is being done down there for our benefit. Go to visit our shops. Study our work on the street. Learn something about the practical side of the business. You may be a bookkeeper or you may be a salesman, but let me tell you if you ever expect to get to executive position you have got to know something about the practical end of the business. You have to know something about every department. There is no part of this business that is not open to you, and in every one you can learn something.

Be a Creditable Representative of Your Company

This spirit goes hand in hand with thrift. While you are saving the money you are earning to-day, or some of it, put

some knowledge in your heads and lay up a store of information and experience for the position that may come knocking at your door, for when that opportunity comes, if you have not studied the business, you will not be in a position to take advantage of it.

Do not think the fellows who are immediately around me got there by luck. They got there by hard work and sacrifice. It is not because they are liked by the "Old Man"; it is because the work they have done has justified the opportunity to advance. That opportunity is open to everybody in an institution as large as The People's Gas Light and Coke Company. The larger an institution becomes the greater the opportunities for the young men.

The gas business of this country is bound to develop; it is, so to speak, getting its second youth; within the next twenty-five years it will reach proportions far ahead of anything in the past.

As I stated early in my remarks, the members of the community are practically all our customers, and our business is very largely dependent on public good will. The creation of that good will rests with you people. Every employee of The People's Gas Light and Coke Company can do something to further the esteem in which the institution is held by the public.

Take it in your own neighborhood. The people around you know that you work for our company. They look upon it as a very big institution; some of them regard it with a friendly eye and some of them with an unfriendly eye. Just set the example at home. For one thing, be careful of your appearance. (You know you do not have to wear precisely the latest fashions in order to be careful of your appearance—that is just an aside for the girls!) If you are not careful of your appearance and careful of your own homes, you cannot be capable of the most efficient work when you get downtown. You know you cannot live one-half of the time in disarray and disorder and then live the other half of the time in neatness. Besides that, remember the effect, as I say, upon the people around you.

I am a great believer in smartness of appearance. I am getting on in years, but I am just as anxious to be smart in appearance as when I was a young fellow forty years ago. I

believe in it. I think it is a good thing for every individual, and I think it is a good thing for his business.

Take another phase of it: A very large number of employees come in contact with the public. You know how you feel if you call on the telephone and the telephone operator gives you a provoking reply. You do not feel very good toward her or very good toward the telephone company. Suppose someone comes in here and protests about his gas bill or complains to the meter reader on his route that the quality of the gas is bad or that the apparatus does not work right. Everyone of you coming in contact with the public can help put the company in a proper position with the public.

Courtesy

You expect courtesy yourself from those around you, those you work with; if you do not get it you ought to get it, and you ought to see to it that you do get it. It is your right just as it is my right.

Bear in mind what we need in all our dealings with the public is to display the greatest possible courtesy. We want to win good will, and if you help us to win the public's good will you will help yourselves. Your mental attitude towards our customers will be reflected in your mental attitude when you get home with the family and among your friends and acquaintances.

I have occupied more time than I intended. Sometimes it seems rather hard after a day's work to come down to talk to the People's Gas Club, or the Public Service group, or the Edison folks; but as soon as I am on my feet and face to face with our own people, I always feel great pride in our various institutions and I always feel that I want every fellow, every boy and every girl, to have the same opportunity in climbing the ladder of life that I have had myself. You can get it by hard study and work.

TRAINING FOR LEADERSHIP

This speech was given on December 7, 1922, at the Hamilton Club, Chicago, to employees of the Public Service Company of Northern Illinois.

HAPPILY, a change has taken place during the last eighteen months or so in the attitude of investors toward our properties or properties like ours. This change has been brought about largely by the dissemination of all kinds of public-utility information by organizations similar to the one which exists in this state, namely, the Illinois Committee on Public Utility Information. Furthermore, as you know, my friend Mr. John F. Gilchrist has been instrumental in establishing counterparts of the Illinois Committee in the different states of the Union.

But while such committees can distribute all kinds of general information, it is up to us, the people who work for the institutions, to see to it that the detailed information gets to the customer, whom we want to turn from just a payer month by month for our service into an investor in our property, so that he may be from quarter to quarter a recipient of earnings on the money invested with us.

After all, all that we want from the community is a fair show and a square deal and to put up the money to enable us to give them that. It is no more than fair that we should expect and receive the same thing in return; and the best way for us to bring that condition about is to get our customers on our side, and make them a part of us.

We draw from the company the wages of service. We want to put every consumer in a position where he will draw from us the wages of capital. He will be just as anxious for the permanency and stability of our institution as we are, if he is one of us. So, apart from obtaining the money, that is the main reason why we are so keen to distribute our securities in small lots in all communities and throughout the entire territory in which we do business.

One thing that pleases me greatly in the functioning of the Public Service Company of Northern Illinois is the large pro-

portion of young men and young women who are engaged in our business. I envy you, I can assure you. I wish that I could be in your position, at your age, with the experience that I have at my age. I am afraid that, if that were possible, some of the politicians would be looking pretty sharply after me, as they would come to the conclusion that a few thousand square miles of territory would be but a flea-bite to what I might successfully hope to accomplish, in combining various elements of the public-utility business. I think I would be much more inclined to look after state-wide and interstate operations than just operations in a few of the counties of the various states in which we do business. Youth, you know, is ambitious.

As I say, you are young, and you have a tremendous advantage. I do not want to throw any bouquets at you; I am not noted for that particular form of amusement. But I want to say to you that I do not think you could get a body of six or seven hundred young people together, where there would be a better average of intelligence than there is in this room tonight, and which is typical of the business in which we are engaged. It is a business that appeals to young people. And if you will just remember what has happened in the development of this business in the last twenty years, and bear in mind that our development now is so rapid that probably in the next five or six years, or certainly not exceeding seven years, it will take more money to take care of the growth of this business than it has taken in the last twenty years, you ought to be able to get some realization of the possibilities of personal advancement in an institution like the Public Service Company.

I was walking down the hallway adjacent to my office in the Edison Building the other day, and I encountered a young fellow who had come to me about ten years ago with a letter of introduction from some of my friends. This young fellow wanted to go to college. He did not want to go to college at the expense of somebody else, as a matter of charity. He just wanted money loaned him, so that he could work his way through. That boy went through his four-year course at the University of Illinois, a four-year course in engineering, and it was but a very short time until he had paid up all that he

owed; and as soon as he had done that, he was afraid he did not have enough responsibility, so he looked around and found a nice girl to increase his liabilities—and at the same time increase his assets, of course. To-day that young fellow is one of the comers of the Edison organization.

It is not just luck. It is just a matter of persistent work; a respect for one's plighted word; scrupulous integrity; a desire to meet one's financial obligations; a desire to get on, to accomplish something; a desire to be of use in the world. Any man who performs his duty fairly and honorably, and makes a contribution to the increased wealth, not alone of himself, but of his country, is performing a service to himself, and at the same time a very great service to his country. It is that kind of fellow who, when his country needs someone to make the supreme sacrifice, is ready to respond to that call.

Learn to Talk to an Audience

Learn to express yourselves intelligently. Learn to write an intelligent letter. Learn, when it is necessary for you to get up on your feet, to be able to say something that will convey a message. Learn to do the necessary things that lead you toward leadership, toward influencing your fellows. While it is quite possible for people to talk a good deal too much, still ability to talk a little before an audience is a very good thing, not only for men, but for women as well. I am not much of a public speaker myself, as you are all aware, but I have had to learn to think on my feet and give expression to my thoughts.

I often recall my maiden effort at public speaking. I started rather early, I believe at about the age of fourteen, and it might interest you to know, in these days of prohibition, that my first public speech was on the temperance question. From that time on, always, when sitting down after talking to an audience, I remember the fine speech that I ought to have delivered.

But as I said, learn in your various company organizations to express yourselves. Express yourselves forcibly, grammatically, correctly. Try to produce an impression upon those

above you, by the work you do, by the activities in which you engage in connection with the corporation. You will get much pleasure out of it yourselves.

Leadership, Not Money-Making, the Big Thing

Let me tell you that one of the greatest pleasures in life, in connection with business, is the pleasure of leadership. The money-making side of it is merely incidental. Most of us would stop when we were yet relatively young if it were only a question of making money—those of us who have been fortunate enough to have had the opportunity to make it. But as one grows older, the biggest and most impelling thing, the thing that spurs us on to keep still at it, is the sense of responsibility to those who work with us, and the pleasure of leadership in our work with them.

There is no reason in the world why many of you should not be future presidents, or the wives of future presidents, of public-utility companies. You have the opportunity. You have the chance to learn. If you cannot find your career in Northern Illinois, this is a big, wide and prosperous country, notwithstanding all of the "kickers," and it will probably continue to be a prosperous country for a great many generations to come—one in which there are wonderful opportunities. So I am hoping that twenty or thirty years from now, while I am still in the "game," some of you people will be sitting on this side of the table, carrying the burden, some of the very young fellows who are here to-night; also that some of you ladies will be assisting them in carrying the burden.

EDWARD STANLAW JORDAN

ADVERTISING AUTOMOBILES

Edward S. Jordan is one of the leaders in the automobile industry. He was born in Merrill, Wisconsin, in 1882, worked his way through the University of Wisconsin as a newspaper reporter, learned salesmanship with the National Cash Register Company of Dayton, Ohio, and entered the automobile business in 1907. He organized the Jordan Motor Car Company in 1916. The following address is an exposition of the principles of advertising and salesmanship. It was delivered at the World Motor Transport Congress held under the auspices of the National Automobile Chamber of Commerce at Detroit, Michigan, May 1924.

I HAVE been asked to talk on the subject of "Effective Automotive Advertising."

This is a very serious matter and one upon which there is wide disagreement.

Permit me, therefore, to state some very dry historical facts regarding the origin and development of advertising by way of preface.

When Adam and Eve opened up the Garden of Eden, Adam never dreamed that there was any necessity for advertising, and never conceived of there being any such thing as salesmanship.

He knew he had the only woman in the world, a low overhead and, in fact, everything went along all right until a salesman came along with a red apple and a wonderful selling talk.

Eve fell for that selling talk, and on that day salesmanship and advertising originated. On the same day we had the beginnings of Hart, Schaffner & Marx—now the greatest clothing manufacturers in the world.

When Noah saw the waters rising and conceived the idea of the first great ocean liner, he advertised the fact that he was sorry that he could provide accommodations for but two



EDWARD S. JORDAN

of each of the living species. That's alluring advertising.

I do not know how many extra rooms he had, but the conversation that he gave out has been duplicated by every hotel clerk I ever met in my life. There is always a shortage of rooms in the best hotels. And that's salesmanship.

When Moses escaped from the bulrushes and started on his travels he wrote a wonderful piece of advertising copy which has never been duplicated in the history of the world. Even E. Leroy Pelletier, who writes the Rickenbacker advertising, admits that Moses wrote the Ten Commandments.

When Cæsar started out to conquer the world there was no such animal as an advertising agent, and no expert copy writers in existence, so he was forced to write all of his own publicity, and the general opinion to-day is that he did a fairly good job.

When Columbus was approaching the shores of America he met a little adventuresome bird, the first sales ambassador from the new world, advertising America. When he landed on the beach at San Salvador the first sight which met his eyes was that of an Indian smoking the first Camel cigarette.

I suppose when he asked that Indian the name of the country in which he lived the Indian replied, "Ask Dad, he knows." No doubt that was the origin of the cigar store Indian.

When Theodore Roosevelt wanted to command the attention of all the people in the United States he would call the newspaper men together and originate some new catch phrase—a phrase which would be on the tongue of every American citizen within twenty-four hours. The word "mollycoddle" is one of these. "Malefactors of great wealth" is another. "Undesirable citizens" is a third. Roosevelt understood advertising.

I have been asked to talk about "Effective Automotive Advertising." Just as nearly every man thinks he is something of a humorist, so nearly every man thinks that he can write advertising. Therefore, I assume that many of you will disagree with what I am going to say because nearly everyone has a little different idea of what constitutes good advertising.

Advertising does not consist merely of full pages in *The Saturday Evening Post* and in the daily newspapers. It does not consist merely of a painted display on the billboards throughout

the United States, nor does it consist merely of a series of booklets or catalogues.

Advertising begins when the crying child first advertises his wants to his mother, and ends only with the epitaph on the headstone in the village cemetery.

Advertising is infinite, endless, and intensely fascinating because it plays upon all of the human senses and all of the emotions known to human beings.

Advertising creates wants, fulfills desires, raises the standard of living, sustains the price of merchandise, educates the public and brings profit to the advertiser.

In fact, publicity, which is just another name for advertising, is really just another name for public opinion, and public opinion rules the world.

Effective advertising, whether in the automotive industry or any other line of business, can be effective only as it is founded upon certain fundamentals familiar to every intelligent person. Since economy is the fundamental consideration in any commercial effort, the true measure of effective advertising is based upon the answer to the simple question, "How much do you get for your money?" Before we speak of the best methods for getting results at the lowest cost it will be interesting to quickly review the growth of advertising expenditures in America.

$1,284,000,000 Spent for Advertising in 1923

In 1923 it is estimated that one billion, 284 millions of dollars were spent in advertising in the United States. The fifty leading motor car companies spend between 60 and 75 millions of dollars annually. In 1915 the expenditures of all advertisers in the thirty-six leading national magazines was less than 23 millions of dollars. In 1923 it totaled nearly 100 million dollars. The grand total for the years 1915 to 1923 inclusive was $590,696,000. This, exclusive of all other publications and all other forms of advertising.

In 1923 newspaper advertising of all kinds totaled around 600 millions, with all magazine advertising totaling 150 millions.

Direct mail advertising last year was estimated at about 300 millions. Advertising of all kinds in the seventy leading magazines in 1923 totaled 121 millions. In 1915 the same magazines carried a total of about 38 millions of dollars, which represents a gain of approximately 83 millions of dollars in the last eight years.

In 1915 the automotive industry spent about 5 million dollars in the thirty-six leading national magazines. In 1923 this industry spent over 17 million dollars, or an increase of about 13 millions in these publications alone. In the last nine years the automotive industry has spent over 115 million dollars in the thirty-six leading national magazines.

In the period from 1915 to 1923, inclusive, the output of passenger cars increased from 818,000 to over 3,600,000, or, in dollars and cents, from $565,978,000 to $1,693,808,000.

While the automobile industry is one of the largest purchasers of advertising, the tobacco companies are strong believers in publicity. About $5,700,000 a year is being expended on Camel cigarettes and Prince Albert tobacco on billboards alone. Cigarette companies in the last ten years have increased the sale of their products 300 per cent. The sale of cigarettes has increased from 15 billions to 60 billions annually.

The Palmolive Company, the best soap advertisers in the world, spend approximately 2 millions on billboards alone. The Campbell Soup Company, marketing a ten cent product, is spending over 3 millions a year in magazine advertising. Even Henry Ford, who was long thought to be opposed to advertising expenditures, is reported to be spending several millions of dollars this year.

If we take the amount of space purchased in the thirty-six national magazines as a measure of the volume of advertising, food products lead, with 12 millions; toilet goods next with 8 millions; wearing apparel 8 millions; passenger automobiles $7,700,000. If we add tires with $2,750,000 and include all other accessory advertising, the automotive industry would probably lead the list.

Since we in the passenger car business have been merely supplying a demand for individual transportation which had been accumulating for over two thousand years, and since the desire

for the motor car cannot be denied, and the saturation point will never be reached until everyone has one and none ever wears out, it is impossible for anyone to estimate the contribution that has been made to sales efforts by advertising, but since we know that the great mass of the American people read advertisements more diligently than they do the editorials, and read the funny section more frequently than they do the Bible, we have reason to believe that a great contribution has been made.

It would be extremely difficult for me to analyze effective advertising by comparison. I can only give you certain fundamentals which have influenced me in all my publicity efforts.

In order that you may understand my point of view let me state in the beginning that it is my belief that only about five per cent of the people really think. Only about five per cent have learned to enjoy that marvelous luxury known as mental activity.

Five Per Cent of People Think

This five per cent represents that admirable group who, being accustomed to imitation, must always exercise good judgment and good taste.

Ten per cent of the people get along fairly well by imitating the five per cent. They are inclined to buy that car which has been accepted by the thinkers; while eighty-five per cent of the people are inclined to believe what they read and hear, and they usually act as they feel.

Therefore, whether we are selling automobiles, tires, motor trucks or accessories, our first appeal should be made to the leaders.

There are a thousand ways in which this can be done, but the simplest way to appeal to them is to their five senses: sight, which means lines, color; feeling, which means comfort both mental and physical; hearing, which means absence of conspicuous noises; good taste, which means pleasing appointments; and atmosphere, or that interesting element with which you surround the merchandise you are trying to sell.

Of course, effective advertising can only continue to be effective if the merchandise serves well and inspires the user to recommend it to other buyers.

It is my own belief that most of the failures in the automobile industry have been due to lack of coördination between the men who design, purchase parts, produce, sell and service the car.

If the engineer is dominant you will have an engineering job designed to satisfy the engineer's desire for self expression. If the purchasing agent dominates, you will have a job which is built largely from the standpoint of low purchase cost. If the production man dominates, you will have a car designed for high speed production. If the sales department dominates entirely you will have a car designed for price alone.

The most satisfactory automobile is that in which the ideals of good design, intelligent purchasing, careful production and lasting service are combined. An analysis of the records of the automobile companies will show that cars of this character dominate their respective fields.

So it is in advertising. If you concentrate upon any one particular feature or any one particular phase of your product you have an unbalanced presentation and your appeal is not from the point of view of the user, which is most important, but your appeal is from the point of view of the manufacturer, and this should be secondary.

Five Factors in Advertising

There are five factors which determine the character of the sales and advertising appeal on any product designed for family use.

The first appeal is to the man who pays the bills, and that is father, who is accustomed to think in terms of economy and service. That is the first and most fundamental appeal.

Mother thinks in terms of her children's opportunity. Daughter thinks in terms of social prestige and a happy marriage. The boy thinks of travel, speed, pep, get-up-and-go.

Unfortunately many millions of dollars have been spent in advertising which reads like the Declaration of Independence or the Congressional Record, and millions more have been spent in advertising which is written entirely from the point of view of the man who wants to sell the merchandise instead of from the point of view of the person who is going to use it.

Of course, it is true that we are in the business of transportation, and that is the most fascinating business in the world.

The history of transportation is the history of the pursuit of four things—love—money—adventure—and religion.

If you have any doubt about the first element, why is it that the peak of sales is usually reached in the month of June? The business of transportation started when the first farmer found that he had cultivated a surplus beyond his own needs. When he widened his market by carrying his surplus to market he raised his earning capacity and bettered his standard of living, and then he sought a method to cut down his cost per ton mile in transportation.

Then there is the fifth very important factor and that is the pet of the family. It may be a new home, a horse, a dog, a radio outfit, an automobile, a bank account. You must make your appeal to pride of ownership in every advertisement you write. How can this be done most effectively?

The most difficult task is to make your presentation different. Since about ninety automobile manufacturers are appealing for public attention, and since a publication like *The Saturday Evening Post* carries from one hundred to one hundred and fifty pages of advertising in every issue, copy, to have the strongest appeal, must compete for reader interest with the contents of the publication in which it appears.

It is possible to build up a reading clientele in advertising as well as in authorship.

In short, the man who writes copy which creates the largest amount of favorable conversation will find it possible to sell his product at a smaller expenditure.

That is the story of the progress of the world—better methods in agriculture—better communication—cheaper transportation. Now it is true that any city, any state or any nation which succeeds in attaining the lowest cost per ton mile in

transportation will always be dominant, and will always maintain the highest rate of wages and the highest standard of living. That is the fundamental behind the development of the automobile business, and that eventually will be the keynote of effective automotive advertising.

But to-day the automobile, while it provides a great economic saving to the public, can more easily be sold on a social basis.

When a man gets tired of walking, riding a bicycle or riding a street car, he is likely to buy a Ford. When his wife discovers that there are a great many Fords in use she aspires to a slightly higher social level. Then they are inclined to buy a car in the Dodge class. Finally the prosperity of the family increases and the next social step is the advance to a car in the Buick class.

When Daughter Runs the Family

Finally daughter comes home from college and takes charge of the family. Then the family has arrived at that interesting stage when color, comfort and appeal to the five senses is most powerful. Back of this appeal it is always necessary to have the great fundamental of economy with satisfying service.

It is a comparatively simple matter to create conversation favorable to your product. It is only necessary to remember that the mass of the American people are largely influenced by catch phrases—or the opinions of people whom they like to imitate. If you conceive a true and interesting statement about your business it is only necessary to communicate it to a sufficient number of people in an interesting way to have it spread broadcast through the land.

For example, if a man should get on the train in New York City to-morrow, and if that man had been opposed to President Coolidge, he might resent the first statement by a man in the smoking compartment that Coolidge is a great president. However, if that statement was repeated six times by six different men between New York and Chicago, he would be an unusual American if he did not get off the train in Chicago and repeat the same statement himself.

The preparation of advertising is a very simple thing if it is done simply and without the strain of trying to be extremely original. The first consideration is brevity; the second, lots of white space; the third, type that is easy to read; the fourth, copy should be written in the spirit of the day in which it appears.

In fact, every successful business enterprise is founded upon the spirit of the men and their desire to do a creditable thing; second, a knowledge of the business which enables them to do the right thing at the right time; third, the courage to ignore the comments of their competitors to whom they never could sell their merchandise; and fourth; recognition of the fundamental fact of all success. That is this—the smartest, cleverest thing in the world is old-fashioned honesty.

Right now with the United States in possession of three hundred billions of dollars of the world's wealth and the women of the country controlling the bulk of the purchasing power, it is comparatively simple to make an appeal which is effective.

Some advertising is still written with the idea that people buy automobiles for mechanical reasons, in spite of the fact that no purchaser ever questions the mechanical efficiency of a Steinway piano.

Some advertising is written from the standpoint of the production man who believes that people want to buy merchandise that is produced in enormous quantities. Women want, above everything else, to wear gowns and live in houses which do not look like the gowns and houses of thousands of other women.

Some advertising is written from the standpoint of the sales department, which is governed by the idea that price is everything in the sale of merchandise. It may interest some of you to know that I much prefer to sell an article at a higher price than my nearest competitor because the public measure of your own value is the value which you place upon yourself.

The advertising of the future will be based upon the idea of economy and lasting service, coupled with appearance, comfort and pleasing performance.

There was a time when we advertised motors almost exclusively. Then came the starting and lighting system; then new

body designs, including enclosed cars. This year we have had four wheel brakes and balloon tires, and I would like to prophesy that at the next New York show there will be a great deal more talk about comfort, and at the show in the following year you will hear a great deal more about economy.

In the Merchandising Stage

In conclusion, let me say we have now arrived at the merchandising stage in the automobile industry. It is possible now to deliver all the new automobiles that the industry can produce, and the demand for new automobiles will continue to be insatiable. The efforts of the dealers and the manufacturers in the future will be concentrated more largely upon the sale of the old car.

This means that from the engineering department through to the service department, every effort must be made to justify the new car advertising by building second hand valuation into the product, so that the car can be sold a second time at a profit.

OTTO HERMANN KAHN

THE NEW YORK STOCK EXCHANGE AND PUBLIC OPINION

Otto Hermann Kahn has been a member of the banking firm of Kuhn, Loeb & Co. since 1897 and has long been distinguished as a director of affairs in the world of music and art, as well as in that of finance. Although he was born in Germany in 1867, his father was a naturalized American citizen and he himself has passed most of his life in England and the United States. During the World War he was active in both speech and deeds on the side of the Allies and of his adopted country. Since the War, Mr. Kahn has written and spoken widely on the problems of reconstruction and especially those of taxation and finance. The present address was given at the annual dinner of Stock Exchange Brokers in New York January 24, 1917. Mr. Kahn's eulogy of E. H. Harriman is given in Volume IX.

A FEW weeks ago I went to Washington to contradict, as a voluntary witness before a Committee of Congress, under the solemn obligation of my oath, a gross and wanton calumny which, based upon nothing but anonymous and irresponsible gossip, had been uttered regarding my name.

On my way between New York and Washington, thinking that, once on the stand, I might possibly be asked a number of questions more or less within the general scope of the Committee's inquiry, I indulged in a little mental exercise by putting myself through an imaginary examination.

With your permission, I will state a few of these phantom questions and answers:—

QUESTION:

There is a fairly widespread impression that the function of the Stock Exchange should be circumscribed and controlled by some governmental authority; that it needs reforming from without. What have you to say on that subject?

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OTTO H. KAHN

ANSWER:

I need not point out to your Committee the necessity of differentiating between the Stock Exchange as such and those who use the Stock Exchange.

Most of the complaints against the Stock Exchange arise from the action of those outside of its organization and over whose conduct it has no control. At times, no doubt, there have been shortcomings and laxity of methods in the administration of the Stock Exchange just as there have been in every other institution administered by human hands and brains. Some things were, if not approved, at least tolerated in the past which are not in accord with the ethical conception of to-day.

The same thing can be said of almost every other institution, even of Congress. Until a few years ago, for instance, the acceptance of campaign contributions from corporations, the acceptance of railroad passes by Congressmen and Senators, were regular practices which did not shock the conscience of either the recipients or the public. Now they are no longer tolerated by public opinion, and have rightly been made illegal.

Ethical conceptions change; the limits of what is morally permissible are drawn tighter. That is the normal process by which civilization moves forward.

The Stock Exchange never has sought to resist the coming of that more exacting standard. On the contrary, in its own sphere it has ever aimed to advance the standard, and it has shown itself ready and willing to introduce better methods whenever experience showed them to be wise or suggestion showed them to be called for.

In its requirements for admission of securities to quotation, in the publicity of its dealings, in the solvency of its members, in its rules regulating their conduct and the enforcement of such rules, the New York Stock Exchange is at least on a par with any other Stock Exchange in the world, and, in fact, more advanced than almost any other.

The outside market "on the curb" could not exist if it were not for the stringency of the requirements in the interest of the public, which the Stock Exchange imposes in respect of the

admission of securities to trading within its walls and jurisdiction.

There is no other Stock Exchange in existence in which the public has that control over the execution of orders, which is given to it by the practice—unique to the New York Stock Exchange—of having every single transaction immediately recorded when made and publicly announced on the ticker and on the daily transaction sheet.

I am familiar with the Stock Exchanges of London, Berlin and Paris, and I have no hesitation in saying that, on the whole, the New York Stock Exchange is the most efficient and best-conducted organization of its kind in the world.

The recommendations made by the Commission appointed by Governor Hughes some time ago were immediately adopted *in toto* by the Stock Exchange. Certain abuses which were shown to have crept into its system several years ago were at once rectified. From time to time other failings will become apparent (there may be some in existence at this very moment which have escaped its attention), as failings become apparent in every institution, and will have to be met and corrected.

I am satisfied that in cases where public opinion or the proper authorities call attention to shortcomings which may be found to exist in the Stock Exchange practice, or where such may be discovered by the governing body or the membership of the Exchange, prompt correction can be safely relied upon.

Sometimes and in some respects, it is true, outside observers may have a clearer vision than those who are qualified by many years of experience, practice and routine.

If there be any measures which can be shown clearly to be conducive towards the better fulfillment of those purposes which the Stock Exchange is created and intended to serve, I am certain that the membership would not permit themselves to be led or influenced by hide-bound Bourbonism, but would welcome such measures, from whatever quarter they may originate.

QUESTION:

Do I understand you to mean, then, that the Stock Exchange is simply a private institution and as such removed from the

control of governmental authorities and of no concern to them?

ANSWER:

I beg your pardon, but that is not the meaning I intended to convey. While the Stock Exchange is in theory a private institution, it fulfills in fact a public function of great national importance. That function is to afford a free and fair, broad and genuine market for securities and particularly for the tokens of the industrial wealth and enterprises of the country, i. e., stocks and bonds of corporations.

Without such a market, without such a trading and distributing center, wide and active and enterprising, corporate activity could not exist.

If the Stock Exchange were ever to grow unmindful of the public character of its functions and of its national duty, if through inefficiency or for any other reason it should ever become inadequate or untrustworthy to render to the country the services which constitute its *raison d' être,* it would not only be the right, but the duty of the authorities, State or Federal, to step in.

But thus far, I fail to know of any valid reasons to make such action called for.

QUESTION:

You have commenced your first answer with the words, "I need not point out to your Committee." That is a complimentary assumption, but I don't mind telling you that we here are very little acquainted with the working of the Stock Exchange or the affairs of you Wall Street men in general. What about short selling?

ANSWER:

I do not mean to take a "holier than thou" attitude, but personally, I never have sold a share of stock short. Short sellers are born not made. But if there were not people born who sell short, they would almost have to be invented.

Short selling has a legitimate place in the scheme of things economic. It acts as a check on undue optimism, it tends to counteract the danger of an upward runaway market, it supplies a sustaining force in a heavily declining market at times of unexpected shock or panic. It is a valuable element in preventing extremes of advance and decline.

The short seller contracts to deliver at a certain price a certain quantity of stocks which he does not own at the time, but which he expects the course of the market to permit him to buy at a profit. In its essence that is not very different from what every contractor and merchant does when in the usual course of business he undertakes to complete a job or to deliver goods without having first secured all of the materials entering into the work or the merchandise.

This practice of short selling has been sanctioned by economists from the first Napoleon's Minister of Finance to Horace White in our day. While at various times laws have been enacted to prohibit that operation, it is a noteworthy fact that in every instance I know of, these laws have been repealed after a short experience of their effects.

I am informed on good authority—though I cannot personally vouch for the correctness of the information—that there is no short selling nowadays in the fairly important Stock Exchange of Tokyo, Japan. You will have seen in the papers that when President Wilson's peace message (or was it the German Chancellor's peace speech?) became known in Tokyo, the Stock Exchange there was thrown into a panic of such violence that it had to close its doors. It attempted to reopen a few days later, but after a short while of trading was again compelled to suspend.

Assuming my information to be correct, we observe here an illuminating instance of cause and effect.

Short selling does become a wrong when and to the extent that the methods and intent of the short seller are wrong. The short seller who goes about like a raging lion (or "bear") seeking whom he may devour; he who deliberately smashes values by dint of manipulation or artificially intensified selling amounting in effect to manipulation, or by causing alarm through spreading untrue reports or unverified rumors of a disturbing character, does wrong and ought to be punished.

Perhaps the Stock Exchange authorities are not always alert enough and thorough enough in running down and punishing deliberate wreckers of values and spreaders of evil omen. Perhaps there are not enough energy and determination in dealing with the grave and dangerous evil of rumor-mongering

on the Stock Exchange and in brokers' offices. I need hardly add that the practices to which I have referred are quite as wrong and punishable when they aim at and are applied to the artificial boosting of prices as when the object is the artificial depression of prices.

But after all, as the present investigation shows, even Congress, with the machinery of almost unlimited power at its hand, does not always seem to find it quite easy to hunt the wicked rumor-mongers to their lairs and subject them to adequate punishment. Yet the unwarranted assailing of a man's good name is a more grievous and heinous offense than the assailing, by dint even of false reports, of the market prices of his possessions.

QUESTION:

We hear or read from time to time about the public being fleeced. There is a good deal of smoke. Isn't there some fire?

ANSWER:

If people do get "fleeced," the fault lies mainly with outside promoters or unscrupulous financiers, over whom the Stock Exchange has no effective control. Some people imagine themselves "fleeced," when the real trouble was their own "get-rich-quick" greed in buying highly speculative or unsound securities, or having gone into the market beyond their depth, or when they have exercised poor judgment as to the time of buying and selling. Against these causes I know of no effective remedy, just as there is no way to prevent a man from overeating or eating what is bad for him.

In saying this, I do not mean to imply that stock-brokers have not a duty in the premises. On the contrary, they have a very distinct and comprehensive duty towards their clients, especially those less familiar with stock market and financial affairs, and towards the public at large. And they have furthermore the duty to abstain from tempting or unduly encouraging people to speculate on margin, especially people of limited means, and from accepting or continuing accounts which are not amply protected by margin.

In respect of the latter requirement, the Stock Exchange rightly increased the stringency of its rules some years ago, and it cannot too sternly set its face against an infringement of

those rules or too vigilantly guard against their evasion.

Against unscrupulous promotion and financiering a remedy might be found in a law which should forbid any public dealing in any industrial security (for railroad and public service securities the existing commissions afford ample protection to the public) unless its introduction is accompanied by a prospectus setting forth every material detail about the company concerned and the security offered, such prospectus to be signed by persons who are to be held responsible at law for any willful omission or misstatement therein.

Such a law would be analogous in its purpose and function to the Pure Food Law. If it went beyond that purpose and function it would be apt to overshoot the mark. The Pure Food Law does not pretend to prescribe how much a man should eat, when he should eat or what is good or bad for him to eat, but it does prescribe that the ingredients of what is sold to him as food must be honestly and publicly stated. The same principle should prevail in the matter of the offering and sale of securities.

If a drug contains water, the quantity or proportion must be shown on the label, so that a man cannot sell you a bottle filled with water when you think you are buying a tonic. In the same way the proportion of water in a stock issue should be plainly and publicly shown.

The purchaser should not be permitted to be under the impression that he is buying a share in tangible assets when, as a matter of fact, he is buying expectations, earning capacity or good will. These may be, and often are, very valuable elements, but the purchaser ought to be enabled to judge as to that with the facts plainly and clearly before him.

The main evil of watered stock lies not in the presence of water, but in the concealment or coloring of that liquid. Notwithstanding the unenviable reputation which the popular view attaches to watered stock, there are distinctly two sides to that question, always provided that the strictest and fullest publicity is given to all pertinent facts concerning the creation and nature of the stock.

QUESTION:

Is it not a fact that some of the "big men" get together from

time to time and determine to put the market up or down so as to catch profits going and coming?

ANSWER:

As to "big men" meeting to determine the course of the stock market, that is one of those legends and superstitions hard to kill, inherited from olden days many years ago when conditions were totally different from what they are now, and when the scale of things and morals, too, was different.

The fluctuations of the stock market represent the views, the judgment and the conditions of many thousands of people all over the country, and indeed, in normal times, all over the world.

The current which sends market prices up or down is far stronger than any man or combination of men. It would sweep any man or men aside like driftwood if they stood in its way or attempted to deflect it.

True, men sometimes discern the approach of that current from afar off and back their judgment singly, or a few of them together, as to its time and effect. They may hasten a little the advent of that current, they may a little intensify its effect, but they have not the power to either unloosen it or stop it.

If by the term "big men" you mean bankers, let me add that a genuine banker has very little time and, generally speaking, equally little inclination to speculate, and that his very training and occupation unfit him to be a successful speculator.

The banker's training is to judge intrinsic values, his outlook must be broad and comprehensive, his plans must take account of the longer future. The speculator's business is to discern and take advantage of immediate situations, his outlook is for to-morrow, or anyhow for the early future; he must indeed be able at times to disregard intrinsic values.

The temperamental and mental qualifications of the banker and the speculator are fundamentally conflicting, and it hardly ever happens that these qualifications are successfully combined in one and the same person. The banker as a stock market factor is vastly and strangely overestimated, even by the Stock Exchange fraternity itself.

May I add that a sharp line of demarcation exists between

the speculator and the gambler? The former has a useful and probably a necessary function, the latter is a parasite and a nuisance. He is only tolerated because no means have been found thus far to abolish him without at the same time doing damage to elements the preservation of which is of greater importance than the obliteration of the gambler.

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By this time the Committee would surely feel that it had had a surfeit of my wisdom, as I am sure you must feel, but if you will be indulgent a very little while longer, I should like to say a few words more to you whose guest I have the honor to be this evening.

My recent observation of and contact with Congressmen and others in Washington have once more fortified my belief that the men, by and large, whom the country sends to Washington to represent it, desire and are endeavoring, honestly and painstakingly, to do their duty according to their light and conscience, and that, making reasonable allowance for the element of party considerations, they represent very fairly the views and sentiments of the average American. Most of them are men in moderate circumstances. Very few of them have had occasion to familiarize themselves with the laws, the history and the functionings of finance and trade, to come into relation to the big business affairs of the country, or to compare views with its active business men.

It may be assumed that, very naturally, not a few of them have failed to come to a full recognition of the facts that the mighty pioneer period of America's industrial development came definitely to an end a dozen years ago; that with it came to an end practices and methods and ethical conceptions, which in the midst of the towering achievements of that turbulent period of over-intensive, over-rapid development were, if not permitted, yet to an extent silently tolerated, and that business has willingly fallen into line and kept in line with the reforms which were called for in business as in other walks of our national life.

The opinions of the world, and particularly of the political world, travel along well-worn roads. Men are reluctant to go

to the effort of reconsidering viewpoints and conclusions which, by tradition or mental habit, have become fixed.

Many in and out of Congress are still under the controlling impress of the stormy years when certain deplorable occurrences affecting corporations and business men were brought to light; when it was demonstrated that certain abuses which had accumulated during well-nigh two generations needed to be done away with for good and all, and when the people went through the ancient edifice of business with the vacuum-cleaner of reform and regulation, using it very thoroughly—perhaps, in spots, a little too thoroughly.

Not a few politicians are still sounding the old battle cry, although the battle of the people for the regulation and supervision of corporations was fought to a finish years ago and was won by the people, and although the people themselves of late, on the few occasions when a direct proposition has been put up to them, such as recently in Missouri, have indicated that they consider the punitive and probationary period at an end and want business to have a fair chance and a square deal.

When the right of suffrage was thrown open to the masses of people in England, a great Englishman said: "Now we must educate our masters." In this country it is not so much a question of educating our masters, the people and the people's representatives (who, moreover, would resent and refuse to tolerate for a moment any such patronizing assumption), as of getting them to know us and getting ourselves to know them.

All parties concerned will benefit from coming into closer contact with one another and becoming acquainted with one another's viewpoints.

Can we honestly say that we are doing our full share to bring about such contact and to get ourselves, and what we believe in, properly understood; believe in, not only because it happens to be our job in life and our self-interest, but because in the general scheme of things it serves a legitimate and useful and necessary function for our country?

How many of us have taken the trouble to seek the personal acquaintance of the Congressmen or Assemblymen or State Senators representing our respective districts? How many of us make an effort to come into personal relationship with people,

both here and in the West and South, outside our accustomed circles? Yet an ounce of personal relationship and personal talk is worth many pounds of speech-making and publicity propaganda.

When you look a man in the face and talk to him and question him and realize in the end that he is sincere in his viewpoint, whether you share it or not, and that he is made of the same human stuff as you, much animosity, many preconceived notions are apt to vanish, and you are not so cocksure any longer that the other fellow is a destructive devil of radicalism or a bloated devil of capitalism, as the case may be.

I recall in this connection an incident which concerns my great friend, the late E. H. Harriman. He talked to me about his wish to be elected to a certain railroad board. I said: "I don't really see what use that would be to you. You would be one of fifteen men, of whom probably fourteen would be against you." He answered: "I know that, but all the opportunity I ever want is to be one of fifteen men around a table."

And the result has shown that that was all the opportunity he needed.

We cannot all have the conquering genius and force of a Harriman, but every one of us, in a greater or lesser degree, every one in some degree has the power of coöperating in the vastly important task of personal propaganda for a better understanding, a juster appreciation of each other, between East and West and North and South, between what is termed Wall Street and the men who make our laws, between business and the people.

This is the age of publicity, whether we like it or not. Democracy is inquisitive and won't take things for granted. It will not be satisfied with dignified silence, still less with resentful silence.

Business and business men must come out of their old-time seclusion, they must vindicate their usefulness, they must prove their title, they must claim and defend their rights and stand up for their convictions. Nor will business or the dignity of business men be harmed in the process.

No health organism is hurt by exposure to the open air.

Democracy wants "to be shown." It is no longer sufficient

for the successful man to claim that he has won his place by hard work, energy, foresight and integrity.

Democracy insists rightly that a part of every man's ability belongs to the community. Democracy watches more and more carefully from year to year what use is being made of the rewards which are bestowed upon material success, and particularly whether the power which goes with success is used wisely and well, with due sense of responsibility and self-restraint, with due regard for the interests of the community.

And if the consensus of enlightened public opinion should come to conclude that on the whole it is not so used, the people will find means to limit those rewards and to curtail that power. And what is true of the public attitude towards individuals holds good equally of its attitude towards organizations such as the Stock Exchange.

It is of great and urgent importance that the Stock Exchange should leave nothing undone to get itself better and more correctly understood. It should not only not avoid the fullest publicity and scrutiny, but it should welcome and seek them.

It has nothing to hide, and it should be glad to show that it has nothing to hide. It should miss no opportunity to explain patiently and in good temper what it is and stands for, to correct misunderstandings and erroneous conception. If it is attacked from any quarter deserving of attention, it should go to the trouble of defending itself. If it is made the object of calumny, it should contradict and confound the slanderer.

Its members should ever remember that while in theory the Stock Exchange is merely a market for the buying and selling of securities, actually they constitute a national institution of great importance and great power for good or ill.

They are officers of the court of commerce in the same sense in which lawyers are officers of the court of law. They should not be satisfied with things as they find them. They should not take the way of least resistance, but should ever seek to broaden their own outlook and extend the field and scope of the Stock Exchange's activities.

One of the reasons for London's financial world position is that its Stock Exchange affords a market for all kinds of securities of all kinds of countries. The English Stockbroker's

outlook and general or detailed information range over the entire inhabited globe. It is largely through him that the investing or speculative public is kept advised as to opportunities for placing funds in foreign countries. He is an active and valuable force in gathering and spreading information and in enlisting British capital on its world-wide mission.

The viewpoint of the average American investor is as yet rather a narrow one. Investment in foreign countries is not much to his liking. The regions too far removed from Broadway do not greatly appeal to him as fields for financial fructification. Yet, if America is to avail herself fully of the opportunities for her trade which the world offers, she must be prepared to open her markets to foreign securities, both bonds and stocks. If America aspires to an economic world position similar to England's, she must have among other things financial (such as, first of all, a discount market) a market for foreign securities.

As Mr. Vanderlip so well said in a recent speech: "Never did a nation have flung at it so many gifts of opportunity, such inspiration for achievement. We are like the heir of an enormously wealthy father. None too well trained, none too experienced, with the pleasure-loving qualities of youth, we have suddenly, by a world tragedy, been made heir to the greatest estate of opportunity that imagination ever pictured."

America is in a period which for good or ill is a turning-point in her history. To perform with credit and honor, with benefit to itself and to the world the part which the favor of Providence has allotted to this country, is a weighty and solemn task. Our duty and responsibility are as great as our opportunity. Shall we rise to its full potentiality, both in a material and in a moral sense?

The words of an English poet come to my mind:

> We've sailed wherever ships can sail,
> We've founded many a mighty state,
> God grant our greatness may not stale
> Through craven fear of being great.

It is not "craven fear" that will prevent us from attaining the summit of the greatness which it is open to America to

reach, for fear has never kept back Americans—any more than Englishmen—and never will.

Indifference, slackness and sloth, lack of breadth and depth in thought and planning; the softening of our fiber through easy prosperity and luxury; unwise and hampering laws, inadequacy of vision and of purposeful, determined effort, individual and national—those are some of the things that we have to guard against.

God grant America may not fail to grasp and hold that greatness which lies at her hand!

A TALK TO YOUNG BUSINESS MEN

This address was delivered before the Harvard Business School Club of New York at the Harvard Club, November 13, 1924.

THE Committee which, on your behalf, did me the honor of asking me to speak before you, emphasized the wish that I give you something in the nature of a "message to young business men." I protested that such things are almost invariably trite and that, moreover, pretty nearly everything which can be said in that line has been said, and said much better than I can do it. I argued that, from the Ten Commandments down to the latest popular "uplift" writer in the press, a vast literature of "do's" and "don't's" is at your disposal and that, were I able to give you the quintessence of wisdom, you would still go out and run your heads against stone walls and insist upon learning your lessons in your own way in the fascinating and adventurous school of experience, as many generations have done before yours and many will do after yours. My objections were overruled, amiably but firmly. Therefore, what is now coming, you have brought upon yourselves by proxy, and your grievance is not against me, but against your Committee.

After having listened to my observations, some or all of you may object that what I am offering are counsels of perfection. I do not dispute that. Naturally, I would not give you a "message" which would advocate only a fractional attainment of a possible 100 per cent. I quite admit that I should not

like to have an expert appraisal made of the percentage by which I have personally fallen short of that 100 per cent. All I claim is that I have tried not to fall short too greatly and that the more my practical experience increases, the more I believe in the practical advantage, quite apart from the ethical element, of pursuing the lines I shall endeavor to indicate in the ensuing remarks. Please understand that these remarks are not meant to cover the subject exhaustively. Sundry items which would have to be included if I were to attempt to draw a complete picture, I shall omit, in due recognition of the fact that there are limits to the strain which may be placed upon the patience of even so well-disposed and courteous an audience as I know you to be.

Well, then, for the "message."

First. Eliminate from your vocabulary in working hours the word "perfunctory." Every task is a test. However trivial it be, your manner of performing it will testify, in some way and to some degree, for or against you. Shrewd observers sometimes will "size up" a man from the way in which he acts in unimportant matters rather than from his conduct in more weighty things, because it is when not observing himself, and not believing himself observed, that he is most apt to disclose an unvarnished picture of his true self.

Let me tell you, as an instance, how and why I got my first promotion in business: The firm with which I was employed, used to send out many hundreds of circulars daily. In the somewhat primitive circumstances of that day and place, sponges for the wetting of stamps were an unknown luxury. The process employed was the natural one of licking the stamps. From a sheet of one hundred stamps you tore off a row of ten, passed your tongue over the back of the row and then by a deft manipulation dispatched ten envelopes. Three of us, sitting in a line, were engaged for a certain period each day in that proceeding. By dint of strenuous application, I soon became an adept at the job, and accomplished the triumph of holding the office record as to speed in licking stamps, while yet observing the requirements of neatness and accuracy in placing each stamp straight and square in its proper place in the upper right-hand corner of the envelope. Two or three

times I noticed our "boss" standing near the place where we worked, but I had no idea that the—to me—great man would deign to observe our humble activity. After a while, he called me before him and informed the blushing youth that I was promoted out of my turn, in recognition of the zeal, energy and accurateness with which I had accomplished the functions of stamp-licker.

It was a valuable lesson to me, both then and in later life.

SECOND. Remember that the most serviceable of all assets is reputation. When you once have it, and as long as you hold it, it works for you automatically, and it works twenty-four hours a day. Unlike money, reputation cannot be bequeathed. It is always personal. It must be acquired. Brains alone, however brilliant, cannot win it. The most indispensable requisite is character.

THIRD. Think! Exercise the springs of your brain as you exercise the muscles of your body. Quite apart from the requirements of your regular work, practice your mental "daily dozen." There is no better investment, from the material and every other point of view, than thinking.

FOURTH. Go for a ride on the horse of your imagination from time to time. It's excellent exercise. It helps to keep you buoyant and elastic, and it may take you into new and interesting fields. But remember, it's a high-strung animal and needs keeping under careful control, else it is apt to run away with you.

FIFTH. Be ready, be fully prepared, but be patient, bide your time, know how to wait. By all means, keep a sharp lookout for opportunities, recognize them and seize them boldly when they come within your reach. But do not think that every change means an opportunity. A wise business man said to me at the beginning of my career: "It is not only the head that counts in the race for success. There is another part of your anatomy—you might call it the opposite pole—which is of the utmost importance. Learn to think and act, but also learn to *sit*. More people have got on by knowing when and how to sit tight than by rushing ahead." In a less epigrammatic strain, I would add a word to "boost" the merit and potential profitableness of stick-to-it-ness, of perseverance, of courage

to "carry on" in the fact of hope deferred and plans thwarted.

SIXTH. Consider as one of the essential requisites of your diet a supply of the milk of human kindness. To be hard-headed one does not have to be "hard-boiled." Be neighborly, be a good sport. Don't think that you can lift yourself up by downing others. It is willing arms that help to carry you upward, not bent backs. Even from the point of view of mere advantage to yourself, it is more profitable to help others on than to keep others down. There is plenty of opportunity in America to go 'round. This is still the "country of unlimited possibilities," to-day as much as ever. Most of our rich men and practically all the men at the head of our great corporate concerns have started from the ranks, from the very bottom of the ladder. If you would rise, throw overboard envy and ill-will. They are worse than useless ballast. They corrode the things they touch; they blight your equipment.

SEVENTH. Work hard, don't spare yourself, don't be an eight-hour-a-day man, but don't permit yourself to become a machine. Work will not hurt you, however heavy. But keeping your thoughts, interests and activities in the same old rut, will. You are young. Presumably, you have ideals. By all means, keep them. Whatever they are, keep them. Do not let alleged worldly wisdom make you believe that they are useless and futile. They are not. They are an asset of true value, aye! even in business. Even your illusions, don't give them up too easily. You may be taken advantage of, once in a while, but that price is worth paying. "Such stuff as dreams are made of," is valuable stuff. Don't become cynical. Don't scoff, don't lose faith. A great poet has said that nothing is more pathetic than to watch men of fifty and sixty, painfully, and usually in vain, trying to find again, and to pick up, ideals which they had recklessly thrown overboard in the days of their youth.

EIGHTH. Take an interest and a due share in public affairs. It is not only your duty to discharge the responsibilities of citizenship in a self-governing country, but, even from the aspect of mere self-interest, it is good insurance to do so. Business cannot prosper unless the ship of state is run on a steady keel and steered with reasonable competence. Rock

the boat of government and you retard, or even endanger, the boat of business. Indeed, the mere movement of the waters caused by the process of rocking is apt to upset some of the less sturdy crafts of commerce, industry or finance.

That does not mean that you should be "stand-patters." On the contrary, seek to find, and to sail with, the current of progress. To be reactionary is to be lacking in imagination, in feeling and in judgment. Mankind is bound to move forward with or without your aid. Don't shortsightedly attempt the vain task of obstructing its march. Put your intelligence and experience to use, as far as you have opportunity, towards aiding, with sincerity and good will, to guide that movement along the right road and to prevent it from going astray temporarily. Try to be helpful to protect against ignorant or demagogic assault the things which by test and trial have been found indispensable and vital for the preservation of a sound and stable basis of society and the American principles of government, but help with equal willingness to inaugurate and realize those things which go to eliminate valid grievances, to remove grounds for just discontent, to advance social justice and to promote the common welfare.

NINTH. Meet your fellow men with confidence, unless you have reason to suspect. Deceitful intent does not find it easy to stand up before frankness, fairness and faith. Don't think that you have got to go through business life, or any other phase of life, armed to the teeth. As a rule, you will find shield, breastplate, helmet and so forth, needless and hampering weights. Skepticism and mistrust, in the case of men, are like great standing armies in the case of nations. They beget aggression. Confidence begets good will and reciprocal disarmament. It is neither weakness nor credulity. It is a self-respecting consciousness of one's own motives and a sane belief in the innate rightness of human nature.

TENTH (and last). To those of you who may attain conspicuous success, I would particularly address an admonitory word. The material reward which the world accords to business success is very large. It is disproportionately large as compared to the material reward bestowed upon work and achievement in other lines of activity. The reasons why this

is so, and more or less has been so for many centuries, and why, on the whole, probably, it pays the world to stimulate by liberal compensation the intensest utilization of business capacities, it would take too long to enter into and seek to elucidate, on the present occasion.

Suffice it to say that the scale of that compensation presupposes value returned in commensurate service. If the so-called capitalistic system of society is to continue—as I believe it will and should because on the whole it has done and is likely to do more for the progress and prosperity of humanity and for the greatest good of the greatest number than any other system I know of—it is particularly incumbent upon those whom it places in positions of business leadership to exercise self-restraint and consideration for others in the use of their opportunities, to prove themselves imbued with a due sense of public duty and to exert their abilities not merely for their own advantage but also—and increasingly so as their potency increases—for the benefit of their fellow men. Success is not a free gift. Like everything else really worth having in life, it has got to be paid for. If you do not assume and discharge responsibilities and duties in a measure commensurate with your success, you are, from the civic point of view, a defaulter.

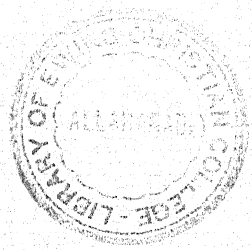
Take heed to remember, those of you who, by eminent success, may raise yourselves beyond your peers, that it behooves you to do all you can to make your position as little "jarring" as possible to that immense majority whom fate has not singled out for its favors. Try always to understand and appreciate, and give due heed to, their points of view and their feelings. Be patient, helpful, courteous, conciliatory. Avoid ostentation. Abhor purse-pride and arrogance.

Beware especially of that insidious tendency of wealth to chill and isolate. Be careful not to let your feelings, aspirations and sympathies become hardened or narrowed, lest you get estranged, and grow apart, from your fellow men. Make it a point not only to be approachable, but to seek and welcome contact with the workaday world so as to remain part and parcel of it and to maintain your fellowship in it.

I am well aware that to the ears of those whose appraisal of business and business men is based upon isolated scandals

or abuses, or upon the violent rantings of agitators ignorant of, or willfully blind to, the ethical strides of the past twenty-five years, lashing themselves into a frenzy to fight over again a battle which President Roosevelt fought and won once for all, blatantly reëchoing old war-cries which have become obsolete and irrational—I am well aware that the ears of such as these my "message" will sound fanciful and incongruous, if not hypocritical. You who have heard me will know whether it bears the accent of conviction. I might have tried to be more original, subtle and profound, but then I should have been less truthful. I have spoken not as a preacher, but as a practical man from practical experience. The plain fact is that, notwithstanding the complications and innovations which we have crowded into our lives, the signposts marking the road which leads to worth-while success remain very much as they have been for ever so many years.

I have been in Wall Street for thirty years. My son is just about to enter business. I greatly desire him to succeed. I am giving him no "message" on his way different from the one I have given you.



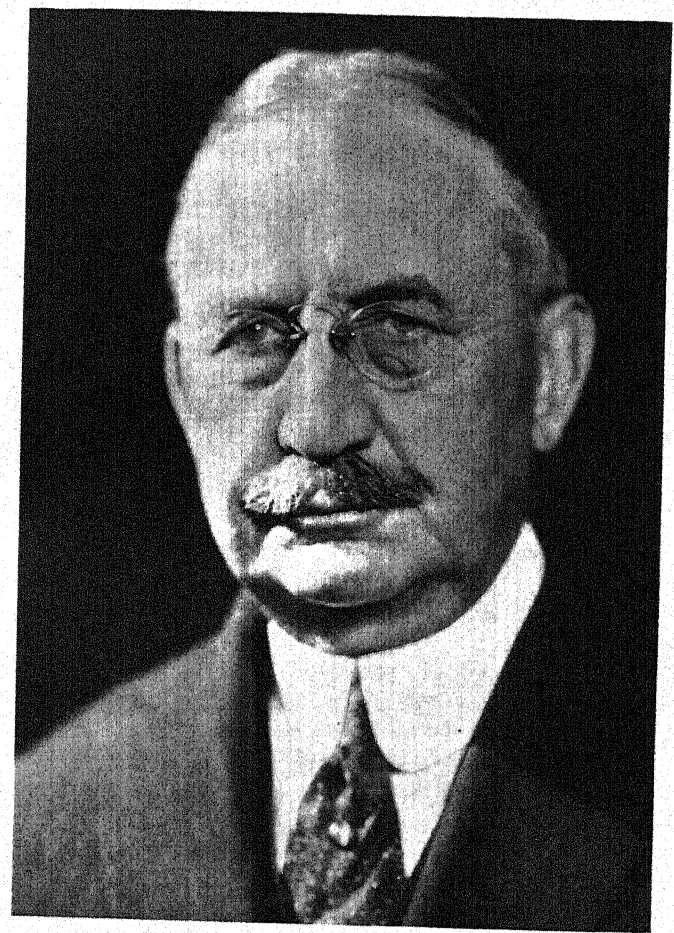
DARWIN PEARL KINGSLEY

IN HONOR OF CHARLES M. SCHWAB

Darwin P. Kingsley has been president of the New York Life Insurance Co. since 1907. Born at Alberg, Vt., in 1857, he graduated from the University of Vermont in 1881; spent some years in Colorado where he was State Auditor 1887-8, and then came back to New York in the service of the great insurance company of which he is now the head. Mr. Kingsley has long been known as a speaker of force and quality, and his addresses on various occasions have been notable contributions to the discussion of public affairs. He gave this address, as President of the Chamber of Commerce, at a special meeting in honor of Charles M. Schwab, April 28, 1921. Another speech by Mr. Kingsley is given in Volume II.

MR. SCHWAB, GUESTS AND MEMBERS:—In the 153 years of the life of this Chamber of Commerce, its members have met rarely for a purpose such as finds expression in this meeting. Since its first dinner, in 1769, the Chamber has paid particular honors to private men on only four occasions: It gave a dinner to Cyrus W. Field, in 1866; a dinner and reception to A. A. Low, in 1867; a reception to Hugh H. Hanna, in 1900, and it presented a gold medal, at one of the regular monthly meetings of the Chamber, to Abraham S. Hewitt, in 1901. The Chamber has never been prodigal in its testimonials to private men.

We meet to-day to honor a plain but truly distinguished American citizen. [Applause.] I add to the character of our tribute when I say that the meeting itself is a declaration that established character is the very fundamental of society [applause]; that it is something so valuable to the community at large that it ought to be defended by all men at all times against attacks of ignorance or prejudice or suspicion, or what not.



DARWIN P. KINGSLEY

The assumptions and presumptions ought to be always in its favor. In other words, to-day we honor a man, and we re-assert a principle—a principle vital to social progress and vital to business stability.

I emphasize the principle, because but for the attacks of prejudice and ignorance, this meeting might not have been held. That, perhaps, is not particularly to the credit of the Chamber, but it is true, nevertheless.

In essence, the services to the country rendered by our guest of honor to-day, Mr. Charles M. Schwab, were no finer, no more unselfish, than the services rendered by thousands of men and women whose very names are unknown. His services were distinguished for their brilliancy, for their effectiveness, for their extent; but all that might not have inspired this meeting.

When, however, this patriot, this leader, was maligned, when he was assaulted in the very citadel of his life, when men sought to show that, under the guise of patriotic service, he had resorted to questionable practices, a burning indignation burst over the membership of this Chamber. [Applause.] Because of his established character, we denounced the allegation as a slander, and the famous "voucher" on which it rested as either mistaken or mischievous. Every man here felt that, in some fashion, his own character and his own reputation were under assault.

Republics are sometimes ungrateful. We play the game very hard in this city and in this nation; but, as business men, we never forget that the basis of commerce is business honor, that the idea for which this Chamber has stood, and on which it has stood for 153 years, is established character, that the foundation of all business and all society is the integrity of men. Sometimes men break, sometimes they are criminally careless, sometimes they are dishonest; but, in the aggregate of the business in a year in this city and nation, these elements are so small as to be substantially negligible. Our guest of honor was flung into the heart of the World War long before our country was drawn in. He was known as a great executive, as a man who could do things; he was at the head of a great plant capable of turning out the weapons and munitions of war. Great Britain sought his services; he responded, and,

in the construction of submarines he literally worked miracles, and did the impossible. Germany, appreciating that, through her chief spy in the United States—called, in those days, an "Ambassador" [laughter and applause]—tried to stop him; and then, realizing that she could not stop him, she, indirectly, in order to stop him, tried to buy him. She offered him for himself, if he would break his contracts with Lord Kitchener, $100,000,000. England, who was, of course, as much interested that the contracts should be kept, as was Germany that they should be broken, countered with another proposition, in which she offered him $150,000,000. Mr. Schwab laughed and said that the British Empire and the German Empire together did not have enough money to make him break faith with Lord Kitchener. [Applause.]

The recital of such incidents makes the story of Aladdin and his Wonderful Lamp sound like the reminiscences of a mere piker. [Applause.]

Then, we went into the war, and our Government called on Mr. Schwab for his services, and he immediately put everything he had at the Government's command. At the instance of the President he was made Chairman of the Emergency Fleet Corporation, and what miracles he wrought there nobody but he, himself, fully knows. He spent our money [laughter]—oh, yes, he spent our money; but he did the one thing that was then of supreme importance, the one thing we wanted done, the one thing that, just then, could save the world—he built ships [applause]; and so great did he speed up efficiency that the American destroyer *Reed* was finished in 45 days, a 12,000 ton freighter was launched within 24 hours from the laying of the keel, and inside of eleven months America launched 4,000,000 tons of ships. And then came the armistice, and the day of the peanut mind. [Laughter and applause.] Then arose men who tried to show publicly that this colossus among men, this man whose sense of honor was so fine that when, in the service of others, he had refused colossal bribes, when in the service of his own country had yielded to petty temptation.

Mr. Schwab, the Chamber has placed at the top of this bronze tablet, which I am instructed in their behalf to present to you,

words uttered by one Iachimo, a character in Shakespeare's play, "Cymbeline." The words are:

"Here's a voucher stronger than ever law could make." [Applause.]

The pertinence of these words to some of your recent experiences is obvious. [Laughter.] They appropriately introduce the text of the tablet itself. Iachimo was a great scoundrel; he sought to destroy the reputation of a chaste and lovely lady, and to do that, set about manufacturing evidence which, on its face, would be conclusive, but, of course, false. When he thought he had that evidence, he used the words I have quoted. The great dramatist makes all men know, as they see Iachimo weave his web of lies, that they must, at all times and under all circumstances, defend the innocence of Imogen—the innocence which she personifies—as they would their own lives. The same dramatic impulse has led this Chamber to place this quotation at the head of this tablet, not only in honor of you, sir, but in order to defend themselves and their own reputations and their own characters against the aspersions of the Iachimos of business and politics. [Applause.]

The text of the tablet itself, following the quotation, reads in this wise:

"The Chamber of Commerce of the State of New York to Charles M. Schwab, in appreciation of his services to the Republic, 1917-18, during the World War, Presented at a Special Meeting in the Great Hall of the Chamber, April 28, 1921."

In these words the Chamber expresses its gratitude, Mr. Schwab; but the words do not convey all that is in our hearts. The tablet is "a voucher stronger than ever law could make" for other reasons than the mere verbiage of the text. Iachimo failed; he failed because his evidence, incontrovertible on its face, was, nevertheless, false. The men who produced the voucher by which you were to be damned failed because the voucher failed. The letter of the law is not enough; innocence has been damned by its processes. This "voucher," written in bronze, goes beyond the letter of the law. It says, largely through its dramatic introduction, that there are things in life so precious that all men must defend them at all times—such, for example, as a woman's chastity, a man's character, a man's

reputation. It says, in its dramatic introduction, in its text, and especially in the spirit of the men who gave it, that even in these supposedly degenerate days, the American mind has not lost its critical faculty, and the American heart drives through American blood that is red, and not yellow. [Applause.]

Mr. Schwab, this is your final voucher; the books are closed. It is the Chamber's tribute to you, the Chamber's tribute to the very fundamentals of business. It is stronger than the law because it is the deliberate judgment of serious-minded men—a judgment which at once vindicates you and re-affirms and re-asserts the eternal verities which underlie and support all law. [Prolonged applause.]

Gentlemen, your guest of honor, Mr. Charles M. Schwab. [Applause.]

JOHN KIRBY, JR.

LABOR AND LEGISLATION

John Kirby, Jr., was born in Troy, N. Y., in 1850. At the age of twelve he began work in the stove manufactory in Waterford. He has kept busy ever since. He was member of the executive committee of the Canadian Car and Foundry Co. which in 1915 executed contracts with the Russian Government for making ammunition amounting to $83,000,000. He was general manager of the Dayton Manufacturing Co. from 1883 to 1917, and was then made president. He is an inventor as well as a capitalist. He has been president of many civic and business associations, and a leader in many great commercial undertakings. He has been a vigorous spokesman of the manufacturers of this country on many occasions. This address was his valedictory as president of the National Association of Manufacturers and was delivered at the convention in Detroit, May 20, 1913.

GENTLEMEN OF THE CONVENTION:—My greeting to you to-day is a valedictory. Four years ago the mantle of the presidency devolved upon my shoulders from my gallant and honorable predecessor, the late James W. Van Cleve. I assumed the title of your chief executive officer, conscious of the work that was before me and desirous of discharging, to the fullest extent of my capacity, the important duties of this high office.

During the past four years I have tried my best to represent you, to advance the principles for which you stand, and develop the activities in which our organization is so earnestly engaged. It is not for me to appraise the work I have tried to accomplish; nor, indeed, am I especially interested in any such appraisal.

[After discussing events and legislation of his term of office, Mr. Kirby continued.]

OUR ATTITUDE TOWARD LABOR LEGISLATION

Often our attitude has been misconstrued in the matter of labor legislation. Our activities in the matter of workmen's compensation corroborates our desire for beneficial and constructive legislation in the field of sane industrial betterment.

Our Association was among the first, if not the first, to actively engage, by research in Europe, in the collection of carefully gathered and certified data upon which to formulate certain operating principles whereon to construct equitable and enlightened legislation, designed to yield adequate compensation to workingmen injured in the course of their employment.

We believe steadfastly in the principle that a workingman, if injured, should be compensated promptly, equitably and generously.

The ghastly waste of money under the former procedure, whereby an injured workingman was only too often compelled to seek his proper compensation for injury, in a court of law, will soon be a relic of the social and legal past.

We have appropriated large sums of money to spread the gospel, both to workingmen and employers, of the necessity for adequate compensation legislation and the installation of the most efficient devices to prevent accidents. We have appointed committees to investigate better means to prevent fires in factories. We earnestly favor legislation honestly intended to perfect a uniform and scientific system of factory inspection. Indeed, we have not been and must not be slow to recognize the value of superior physical conditions for all employment. I announce these views to refute misguided and often malicious criticism directed against us on the ground that we are indifferent to the elevation of the standard of living and working of employees. Such criticisms are utterly unfounded and willfully untrue.

WHAT WE OPPOSE

But we have opposed and shall continue to oppose the enactment by Congress and state legislatures of several species of particularly pernicious legislation which we believe to be fun-

damentally wrong, intrinsically unwise and dangerous to our entire system of government. It is needless for me to state that the legislation we have so constantly fought relates to the insistent and subtle attempt by the American Federation of Labor to strip our courts of equity of certain vested and inherent powers in the matter of the issuance of injunctions in labor disputes. We do not oppose remedial legislation with reference to procedure affecting equity practice. We accept the new series of rules promulgated by the United States Supreme Court, declaratory of the procedure incident to the issuance of injunctions in labor disputes. What we precisely oppose, however, relates to a deeper and more sinister attempt to strip from the inherent power of the court of equity the right of issuance of injunction where such disputes have arisen.

We have seen the effect of the legislation, similar to what the labor unions want, enacted by Parliament. We have seen employers in England practically deprived of all protection by judicial process in the matter of violent trade union disputes. We have seen the great industrial fabric of England, in the chaos of a strike or dispute, compelled to resort to personal supplication to the Prime Minister for assurance of protection to life and property. We have witnessed the supremacy of the powers of the House of Parliament in denying to the English courts of equities the powers which in this country are now sought to be stricken from our courts.

We view this persistent attempt with well-founded anxiety and alarm. The persistency of the attempt is a measure of the ultimate determination of the proponents of such iniquitous legislation.

The record of the issuance of injunctions in labor disputes in this country does not warrant the interferences faultily drawn therefrom by the advocates of such legislation. I challenge contradiction in stating that in one or two cases only have any of our judges of the federal courts, or indeed of the state courts, issued injunctions restraining the commission of actual lawlessness except after the most diligent scrutiny of the moving affidavits, the most careful examination of the merits of the application, and the inherent justice of the relief sought. Thus far the advocates of this dangerous and revolutionary legisla-

tion, vitally affecting our judiciary, have failed to effectuate their demands. Their failure to accomplish their ends is due principally to the manifest vigilance on the part of civic and industrial organizations who consider it a duty to forestall and defeat such specious legislation. For the past ten years the National Association of Manufacturers, in conjunction with the National Council for Industrial Defense, has led this valiant fight.

A handmaid of anti-injunction legislation sought by the American Federation of Labor is the still more nefarious proposal of limiting, by statute, the inherent power of a court to punish for contempt except by trial before a jury. Again we witness the dangerous process involved in this perverted and inverted demand. We have fought and shall continue to fight relentlessly against such dangerous proposals.

All sorts of laws are proposed and advocated for the settlement of labor controversies. Gentlemen, we already have more such laws than are to our credit. Why have one set of laws for labor controversies and another set for other disputes?

The kernel of the whole problem lies in the cowardly toleration of defiance of law. And if we enact laws which shall be to the liking of a particular set of men and injurious to all others we simply admit the impotency of our Government to protect its citizens against the assaults of their neighbors.

Let the whole army and navy be brought into action if necessary to squelch the rebellion that springs into existence with every strike, and once protection against lawless defiance of the rights of peaceable citizens is thus assured, labor disputes will become business problems which will be adjusted upon the same principle as all other business questions, and without the enactment of special laws which merely declare the impotency of the Government to protect its citizens against anarchy or rebellion.

DIVERGENT PATHS

In relinquishing the reins of administration as your President, I would most earnestly leave with you a few thoughts

concerning what I conceive to be the unswerving obligation of our Association with respect to our industrial outlook. It may be that my advice falls within the somewhat vague category of conservatism.

The people of this country are confronted with two divergent paths, one of which seeks to remedy existing social and economic ills by hasty, ill-digested, short routes, to a millennium of perfection. This classification comprises many benevolent-minded persons—honest men and women sincerely dedicated to the realization of the uplift of humanity—persons believing fundamental guarantees of constitutional liberty should be subordinated to some slight-of-hand methods by which the body and social politic may be transferred into an instantaneous Garden of Eden; wherein the serpent of error shall not abide; where the lion and the lamb may rest secure beneath the shade of palm-trees, while the waters of universal tranquillity follow their silver channels to the music of archangels, and while the celestial choir renders saintly music. This heavenly vision I would not impair. Rather would I encourage the rapture of its contemplation.

The other school, plainly described as the conservative, is just as anxious for the millennium as the impatient or radical school. They believe just as strongly in justice, equity, equality; have just as high ideals, and believe just as strongly in evolutionary tendencies; are just as solicitous for the welfare of humanity as our other hurrying brethren. The difference consists largely in the rate of speed and method to be pursued. The radicalism of the day is impatient of a self-controlled democracy, scoffs at the basic principles of constitutional limitations; would make the legislature equivalent to a continuously existing constitutional convention; would usher in the millennium when it is only half dressed.

In fact, the atmosphere is literally charged with all sorts of old but revised fads and fancies. The politician, the uplifter, the pulpit and the press are all as busy as bees reforming everybody and every conceivable activity of life, through legislation, without heed or attention to the natural law of economics or the experience of ages.

Women agitators are again abroad in the land, re-sowing

seeds of discontent among contented mothers, sisters and daughters whom they would segregate from the natural and higher plane of womanhood and make of them political enthusiasts and ward heelers.

Women are to be made virtuous by the enactment of minimum wage laws—tried and abandoned as failures in numerous instances since as far back as 400 years. Minimum wage laws will neither create nor maintain virtue, but as sure as two and two make four they will level downward the standard of wages and with it the standard of living and of business.

Many people seem possessed with the notion that our industrial and social conditions, which are based upon thousands of years of experience and development, are all wrong and that to our already overabundance of laws we should add a few thousand more to right them. These laws are coming along in "fine shape" and out of them all we may expect a combination of statutory laws by which a man can legally lift himself over a fence by pulling upon his boot straps.

Constitutions which protect the weak against the strong, the minority against the oppression of the majority, and which guarantee equality before the law, are designated as relics of antiquity, no longer to be considered as essential to the welfare of the people of this progressive age, and he who dares to assume that they are is a reactionary to be relegated to the rear.

This is said to be a progressive age, which is true, but progression does not necessarily mean forward, it may be backward, and much of the present alleged progressive clamor is in that direction. The term "progressive" is a popular slogan, and practically everything that suggests a change from existing conditions comes within its meaning. Therefore, everybody who thinks, or thinks he thinks, there should, on general principles, be a change is a "progressive."

The conservative school would seek out substantial reform in accordance with the procedure of government ordained by our form of republican institutions. I believe in the ultimate validity of such procedure. I do not believe that emotionalism is a sound guide to permanent improvement in our body politic. Any fantastic deduction can be drawn from a given premise.

The minimum wage as a rate for industrial payment is a

catching slogan, and the dreamy-eyed socialist and excited emotionalist loudly declare the minimum wage the Utopia for industrial ills. Its economic fallacy is so obvious to thinking men that I need not presume to demonstrate its error, yet the utterly illogical and irrational attitude of the benevolent enthusiast would institute a minimum wage and claim for it all kinds of curative values. I would point to the demand for the recall of judiciary decisions, a demand, however, which seems to increase in volume immediately prior to election time, to promptly subside after the fireworks of political oratory are over.

The constant quest for novelty in government, this restless research for change in tested procedure, this oblique angle for instantaneous betterment of all things, this government by emotionalism, has resulted in a prevailing spirit of discontent and covetousness and explains in large part the increasing prominence and power of the entire socialistic propaganda.

Fantastic and grotesque legislation in our country has become a fetish. Laws are enacted literally by the thousands, and the very magnitude of the output diminishes the value and purpose of the laws themselves.

The present socialistic demands represent a stampede of ages, they indicate the quaking of society under our feet. There is a persistent struggle and determination to find some substitute for thrift, economy and work as the pathway to an easy goal, and the same struggle has been going on since the beginning of time, without apparent evidence of success. It will continue so long as human nature is human nature and one man possesses more than another. But should the time ever come when all men's possessions are equal, then will all people be reduced to the level of the savage.

If some of the dead statesmen who have been instrumental in building up this great nation could know what is taking place now, their earthly resting places would tremble with their lamentations.

We must guard well the sacred temple of our institutions.

Emphatically must we insist upon the preservation of the structure of government handed down as a cherished tradition. Never must we forget that government under our Constitution is adequate to express the real needs of our people, and that

once we cut the gordian knot our course will be toward chaos and uncertainty.

Always shall we insist that we are a self-controlled democracy; that such control is vested in the checks and balances of our executive, judicial and legislative departments of government. Never must we yield to special privilege, to special rights, to special legislation. Always must we remember that every man, woman and child in our fair land is within the citadel of protection of our laws and institutions.

The sanctity of property must not be invaded. The inherent nobility of the right to labor must never be impaired.

The fundamental privilege of a citizen to follow a lawful calling, without molestation, must never be abandoned.

The integrity of our courts must be absolutely maintained.

A World Movement of Strange Forces

But, gentlemen, the industrial disorders, to which I have of necessity briefly alluded, are not confined to our own country. A world movement exists, of which our problems are but symptomatic. Strange forces are active towards recognizing society by quick action and doubtful methods.

In France has originated the *Syndicat*, with its daring program of a world combination of labor, designed to dominate all industry and bring about a subversion of established order by the direct use of force, inspired by new doctrines of dangerous philosophy and riotous socialism.

In England dominant trades-unionism extends its force through a supreme ministry and an acquiescent Parliament.

In Germany defiant socialism extends its representation in the *Reichstag* and gains annual accessions to its already vast power.

Supplemental to the American Federation of Labor and as a dividend from these European sources we got the Industrial Workers of the World, with their wild cry of "No God, No Country," alert to commit instant crimes under the pretext of fancied wrongs, blind to all restraint of law and order, reckless in revolutionary speech, oblivious to all consequences of

conduct, and bent upon an errand of ruthless destruction, fanned by the heat of torch and bomb.

Against these forces of evil, domestic and alien, we must stand flintlike in our resolve that our Government is and must be a government of law.

The issue is fearfully plain to all whose eyes are not closed. Law or lawlessness, order or chaos, sanctity or profanity of life, stability or unstability of property, security or insecurity of government, authority or anarchy.

We all know that society is not perfectly organized, and we all know, or at least we ought to know, that it never can reach that degree of perfection wherein the ideals of all of its component parts will agree that it is perfect. There will always be room for improvement, but change does not necessarily mean improvement. Reform, when demonstrated to be rational reform, should receive the hearty endorsement and coöperation of all worthy people. But change, in the mere guise of reform and lacking in evidence that it is what it purports to be, should be let severely alone, lest it "kick back."

We should be sure that we are right, and then go ahead, and that is exactly what those who are proudly calling themselves "progressives" are not doing.

The truth of the matter is, reform is needed in the people themselves more than in legislation and we will not get very far in reforming society until this fact is generally recognized and reform in the individual is manifest.

Drifting Toward the Danger Line

Under our system of government, based upon equal protection under the law and safe-guarding of every individual in the right to acquire property and in the right to seize and utilize legitimate opportunity, a great and prosperous nation has grown up. Millions of individuals by the mixture of gray matter with labor and opportunity have acquired wealth, many of them great wealth, in the doing of which they have opened up opportunities for others to do the same, while people of all classes and conditions have shared in the general prosperity and en-

joyed a higher standard of living than could otherwise have been possible.

But during it all the influence of business men in politics has been largely wasted, because of neglect of their civic responsibilities, and because of their indifference to the need of concrete, well-directed organization to cope with the organized forces that are constantly at work combatting the traditions which form the basis of our progress and development, and which have loosened the old ship of state from her moorings and we now witness her drifting rapidly toward the danger line into the rocks and shoals which threaten the nation's destruction.

Political demagogues and adventurers have seized the slogan, "Let the people rule," and by a divided business vote and influence they manage to carry the day.

As I have indicated, this country appears to be in a state of transition. A few professional agitators, augmented by a great number of visionary sympathizers, who, in their goodness of heart, lose sight of and forget the experiences of all the past ages, have set out to revolutionize society, and legislate contentment and satisfaction into the minds of all discordant elements. Without counting the cost, they are advocating laws the effect of which to the well-balanced mind can only add to the discontent already prevalent.

Human nature cannot be changed by legislation nor can the laws of man controvert the laws of nature.

Laws may be enacted which in their operation will handicap and annoy those upon whom the world must depend for its development, but this cannot be done without affecting most those whom such legislation is intended to benefit. The result can only be to pull all people down to a lower level.

To trifle and experiment with the fundamental principles of equal opportunity and protection under the law, upon which our form of government rests and upon which it must continue to rest if we are to develop in the future as we have in the past, is an irrational proposition and the quicker the good sense of the American people asserts itself and puts a stop to the idiotic acts of our state and federal legislators in enacting laws which mean ruin to the 75 per cent or 80 per

cent of our business people who are struggling to keep the receiver away from their business, the more progress we will make in the uplift of humanity.

If those who would tear to pieces the splendid Government under which we live, would pause to contemplate its blessings they would not antagonize it as they do. It is the outgrowth of centuries of experience. Brains were its architects and when, if ever, it needs remodeling, brains, and not sentiment or popular clamor, should direct the changes. Yet how quickly a few noisy agitators, augmented by maudlin sentimentalists, political adventurers and ruthless muckrakers, can put out of commission the great principles which lie at the bottom of all our prosperity, kill the germ that stimulates energy and frugality and reverse the course which we have followed so long and so successfully.

The rankest agitator or the least useful man to society can produce one blade of grass where two grew before, but it takes a man of brains and intelligence to cause to be grown two blades of grass where but one grew before, and these are the kind of men we should center our minds upon to represent us in public affairs. When we see to this and silence the clamor of the faddists and emotionalists who are disturbing the nation's equilibrium, our country will go forward as never before and its future be brighter than ever. But, if the combination of socialistic agitators, crooked politicians and emotionalists continue their crusade against the established order of society they will injure and discourage American industries and cripple its commerce until the masses of our people are reduced to the level of poverty-stricken peons.

Conservation of the country's natural resources is one of the live problems of the day, and it is no less important than it is live.

The people thoughout the country are turning their attention to the great and growing necessity of stopping the ruinous dissipation of resources, the increasing need of which for future requirements is already being realized.

It is of the greatest importance that the forests, the streams and the mineral lands which belong to the Government should be safe-guarded against usurpation by private parties and ex-

ploitation for their own selfish purposes and that they be preserved for the future needs of the nation. This, however, does not mean that they should be fenced in against uses that do not impair their future values to the whole people, but that they should be protected against devastation and spoils already overindulged in. Such uses as may tend to enhance the general welfare of the people of this age and generation without affecting the future values of such resources should, through proper permission and regulation, be freely allowed. To this end, the Government should pursue a liberal and practical policy, rather than one of "dog in the manger" which assigns to ruthless waste natural products, which under the more generous policy would make them available for the needs of the people, and yet guard them against the permanent and monopolistic control of speculators. For example, the Government owns millions of acres of grazing land upon which hundreds of thousands of heads of stock have been yearly raised and fattened for market, with but little expense other than the cost of herding. The withdrawing of these herding privileges means yearly waste of the natural products of these lands and hence increased price of meat products, which stock raisers assign as the chief cause for the advanced prices of such products, but which has universally been laid at the door of a meat trust.

But, while the people are showing a deep interest in the matter of conserving the nation's natural resources, they have not yet fully realized the much greater necessity of conserving the principles upon which this great nation has been reared and upon which its future destiny and welfare depend.

These principles the people are neglecting to defend against the elements in our body politic which seeks to overthrow and destroy them.

The masses of our people who are sane enough to realize the importance of conserving our natural resources are too busy or too blind to see what is going on around them all the time, tending toward the destruction of our free institutions and orderly government. They are altogether too indifferent about the way in which their representatives treat these grave questions in the light of "political expediency," or, in other

words, it is their lethargy and indifference that creates political cowards and makes politicians traitors to the country's best interests. This fact has nowhere been better demonstrated than in the elections which resulted in tearing to pieces the constitution under which the state of Ohio developed to its present greatness, and which for 60 years served as a guidepost by which the people of that grand old state prospered and were happy. They rested content in its organic law, which gave them security in the protection of property, as well as in the right to acquire property, but which security is now dependent upon the passing whims of the legislature.

Less than 28 per cent of the registered voters of the state voted for the delegates to the Constitutional Convention, and less than 42 per cent participated in the special election at which 41 amendments to the Constitution were submitted to the electorate of the state to vote upon. The result of this apathy and indifference on the part of a majority of the voters of Ohio was the adoption, by a minority vote, of a constitution which was framed and submitted by an organized minority of the people of the state.

Crusade Against Railroads

For a number of years there has waged a wild crusade against the railroads, the bone and sinew of our national development, until they are now so handicapped by federal and state legislation, enacted and proposed, that a very large proportion of the time and brains of railroad managers must necessarily be diverted from the natural business management of the properties and devoted to endeavor to operate them in conformity with many unjust and burdensome laws. Moreover, the cost of operation has been greatly augmented by the heavy expense involved in the payment of salaries and wages which yield no return other than the compiling of statistics and the making of reports to satisfy radical and unnecessary laws imposed upon them by the federal government and the various states in which the roads operate.

To what three causes more than others can we most attribute

the development and building up of this great and prosperous nation of ours?

First, its great natural resources; second, the fundamental principles upon which the government was founded, giving security and opportunity to all alike; and, third, its railroads.

Why, then, should we throw stones at or shoot holes in those things which have made us prosperous and great, and which we must encourage and protect if we are to continue to develop and prosper in the future as we have in the past?

Now, I do not want to be understood as opposing proper legal regulation of business enterprises, whether in corporate or other form, but I am opposed to much of the ill-advised legislative restriction imposed upon business institutions at the instance of political aspirants who seek their own selfish ends at the expense of the public weal, and very much of which amounts to but little less than confiscation.

The tariff is a burning question; it is a business problem and should be treated in a business manner.

In my opinion no tariff legislation hereafter enacted, which is not based upon the findings of a permanent body of capable men, whose sole life's work shall be devoted to the ascertaining of facts, and the best interest of our people concerning it, will meet with general approval.

However, if as a result of radical, ill-advised tariff legislation we suffer business depression and the loss of opportunity to labor, the aftermath, as in the recent floods, will plainly be visible and the remedy quick, sharp and decisive. But this is not the case with respect to the insidious class legislation which is creeping upon us, step by step and little by little. Experience teaches that once such legislation is incorporated in statute law, it is written there to stay.

CONCLUSION

And now, by way of retrospection, I wish to express to the members of the Association itself and to the Directors, past and present, with whom I have presided in deliberations and councils, the assurance of my highest personal regards,

deep appreciation and profound gratitude, without exception.

I have found those associated with me in the administration of the affairs of our great organization, ready, anxious and willing at all times to discharge the various duties and responsibilities assigned to them in the conduct of our work. They have unselfishly subordinated their own business engagements and traveled often and far to counsel with me in the solution of many perplexing measures and policies we were called upon to meet and solve.

I believe I am justified in saying there are few, if any, business organizations comprising an equal number of distinct and separate departments involving like amount of detail as well as skill in their operation which are run more smoothly or with better business methods and judgment, or with greater precision than is the business end of the National Association of Manufacturers, to each and every member of the staff of which I acknowledge a debt of gratitude for their loyalty, and for the prompt and efficient coöperation with which my every call upon them has been responded to. Although I shall feel relieved when I lay aside the cares and responsibilities of the office of President, yet I shall also feel a sense of gratification that I shall not be entirely disassociated from the active operation of this Association.

In company with your distinguished ex-president, David M. Parry, I expect to sail for New Zealand and Australia early in July. We go on your accredited commission, to ascertain, at first hand, and in an impartial spirit, the workings of the labor laws and their effect upon the industries of those countries, which are cited so often in support of successful semi-socialistic and radical reforms in relation to labor and capital and the general field of industry.

As we sail for these foreign shores, I shall summon to my mind the greatness of our own country, its marvelous resources, its unlimited energy, its vast wealth, its manifest destiny among the world of nations. As the departing shores of California fade from our sight, and we begin our journey to the far-distant Occident, I shall indulge the hope that our destiny shall always be safe beneath the benign light of our Constitution.

A nation is a people with a will. Our will has been expressed

in this wonderful document. It reaches forth its protecting hand of restraint and help. It is the great citadel against which the waves of restlessness, assault, and malice break harmlessly to those within its shelter. From its great towers issue forth laws for humanity and humane justice. Under its rugged turrets the weakest is as strong as the mightiest. Beneath its shadow property is safe and secure, and from its lofty summit the light of freedom within the law bestows its gracious hope to the traveler on his way.

JULIUS KRUTTSCHNITT

THE RAILROAD SITUATION

Julius Kruttschnitt was born in New Orleans in 1854 and educated as a civil engineer in Washington and Lee University. He rose from one position to another in the management of railroads,—road-master, chief engineer, general manager, vice-president, director of maintenance and operation, and he is now chairman of the executive committee of the Southern Pacific system. He is also the director of various corporations. This address is a contribution to the lively debate on the railroad situation by an engineer and executive of long experience. It was delivered before the New Orleans Association of Commerce on March 24, 1921.

SUPPOSE for the purpose of winning the War the Federal Government had taken over control of all the sugar factories in Louisiana at a fixed rental, with a promise that they should be maintained and returned in as good condition as if they had remained in control of the owners, and that their operating organizations should be interfered with as little as possible, and thereupon had turned their management over to a person without knowledge of the business, but imbued with a firm belief in Federal ownership and unified management of the sugar industry; suppose furthermore that this person, tempted by a desire to make a large scale experiment to verify his theories, and by the opportunity to do so at somebody else's expense had ignored his tenure of the properties as lessee and had arrogated to himself the rights of the owner, and under this unwarranted assumption had shifted the equipment and machinery between factories, regardless of ownership, changing operating staffs, substituting supervisory officers of his own for those of the owners, on the theory that A would take as great interest and exercise as much care in maintaining B's property as B himself would, and B would maintain C's prop-

erty in as good condition as C himself would; and suppose once again that the Federal Director had established rates of pay and working rules that ignored completely the interests of the owners and future of the industry, and that severed the proper and natural relationship between work done and pay received, so that as a body the employees were led to believe that they had but to make demands on him to have them granted, whether reasonable or not, as a consequence of which the cost of manufacture in the best managed plants was substantially 100 per cent of the selling price; and after doing everything to make future successful operation difficult or even impossible, should return the properties to the owners, leaving them to answer as best they might the question—"What is the matter with the Louisiana sugar industry?"

It would be substantially the same as mine when I try to answer the nation-wide question—"What is the matter with the Railroads?" which for twenty-six months endured troubles closely paralleling these hypothetical ones.

Naturally in considering this question we inquire into the condition of the roads when taken over by the Government, January 1, 1918.

We find that in 1917 they had transported more freight and passengers than ever before in their history; their lines in the closing months of that year were in excellent physical condition and the equipment better maintained than it had been before or has ever been since.

We find, too, that the roads moved a heavier freight traffic in the last nine months of private control than in the first nine months of government control, and the heaviest freight traffic *ever handled in any one month.*

The number of loaded freight cars per train and the daily mileage per locomotive and per freight car were greater than the corresponding figures under government operation in the succeeding year.

Next, you will properly ask—"What obligations did the Government assume in taking over the Railroads?"

Following the entry of our country into the World War the strenuous efforts of each government department and agency to secure preferential service interfered with the movement

on the railroads, then under private control, to such an extent as to indicate the great gain that would come from a properly exercised paramount authority in allocating transportation facilities.

To meet this situation the President took over the railroads and in his Proclamation on December 26, 1917, said:

> Investors in railway securities may rest assured that their rights and interests will be as scrupulously looked after as they would be by the directors of the several railway systems.

and on January 4, 1918, he said to Congress:

> The common administration will be carried on with as little disturbance of the present operating organizations and personnel of the railways as possible.

Were these obligations, an obvious corollary as a matter of elemental justice to the act of taking over the roads, lived up to? They were not. While no one has ever questioned the President's intentions, they were promptly and completely ignored by his subordinates whom he placed in control of the railroads.

As soon as they felt securely seated they began to assert the rights of ownership to as complete an extent as if the railroads had been bought, paid for and delivered. They began to remove all marks of ownership from equipment and to make purchases for account of owners of rolling stock of improvident designs and differing from every line's cars and locomotives previously in use, thereby imposing on the carriers in perpetuity the expense of handling unnecessary dead weight and providing special repair parts. Worse, however, than anything else, the operating organizations and personnel which the President had promised to disturb as little as possible were completely disorganized by depriving the officers of the different roads of all control over wages, discipline, rules and working conditions. This was the germ of the inexcusable abuses and wastes to which we shall presently refer.

The maintenance of the relation of expense to earnings or net income, upon which depends the corporate life of the rail-

roads, was a sacred obligation of the Government if investors were to feel that their rights and interests were being looked after as scrupulously as their own directors could do. To what extent this obligation was performed is shown by the percentage of expenses to earnings, which rose from 70.75% in 1917 to 85.16% in 1919 and to 93.74% in the eleven months ending November, 1920—the latest figures available at the time this was written. While the roads were returned to private operation on March 1, 1920, the railroad wage scales were subsequently increased by government authority, increasing the payrolls by more than $600,000,000 per annum, and the roads have not been able as yet to escape from the blight of government established working conditions. Only six and one-fourth cents in 1920 out of every dollar were left to pay taxes, fixed charges and dividends, and even this petty sum vanished on many roads early in 1921.

The Federal Administration respected neither the recommendation of the President nor the guarantee of Congress to maintain the railroads in as good repair and in as complete equipment as when taken over. It did not put into the track anything near the number of ties and rails necessary to maintain it; ties, both in quantity and quality, and rails were skimped. In two years tie renewals were 28,841,969 short, enough to lay 10,000 miles of track, and rail renewals were cut 326,236 tons, enough to lay 2600 miles with 90 pound rail. On the Southern Pacific, Louisiana and Texas Lines, where annual tie replacements averaged 1,431,825 for the Test Period, yearly renewals were 398,323, or 28%, short on the return of the properties, and thousands of 6x6 inch ties, only half as large as the Company standard and totally unfit for the purpose, were put into tracks in face of repeated protests from the owners of the property. So poor was maintenance on some of the Louisiana lines as to call for protest from the State Railroad Commission.

The equipment conditions on all lines were deplorable. Repairs were so inadequately made that when the railroads were returned to their owners, equipment was in the worst condition ever known. The common use of freight cars scattered them over the entire country, where during the entire period of Fed-

eral control and for many months since they have remained far from the interested care and attention of the owners, the process of getting them back to their owners being a slow one. Before the war it was not unusual for roads to have 70% to 80% of their own cars on their lines; when they were turned back they had about 20%. Our own box cars were as low as 12½% and all cars 32% on our lines. I am handing you photographs of some derelict Southern Pacific box cars showing the results of the fostering care of the Government during its stewardship.

After 26 months of mismanagement the Government surrendered the roads with a heritage of four or five billions of debt saddled on the country, flippantly alleged to fairly represent a legitimate war cost, although much of it was inexcusable, avoidable waste; a scale of operating expenses $3,000,000,000 more than in 1917, and so burdensome as to make it cost almost 100 cents to earn each dollar of gross revenue.

I welcome this opportunity of putting the plight of the railroads before you, as much of their trouble is of a technical nature and little understood. If the managers cannot check waste caused by improvident agreements which they had no voice in negotiating, regulating bodies will have to raise transportation charges under the new railroad law, or you will have to be satisfied with poor service. There are hundreds of thousands of employees who now are rendering efficient services and earning all they get, but thousands of others, under the technical classifications and working conditions inherited from the Government, are being paid money they do not earn. In 1917 the railroads had 264,586 shop men; in March, 1920, 378,238, an increase of 113,652, or 43%. The movement of trains was somewhat less in 1920 than in 1917, so that with equally efficient and industrious shop men no more than the 25% increase due to the eight-hour day should have been required to keep up repairs, but the actual increase in numbers was 43%, so that the excess over 25%, 18%, or 47,600, represents roughly the cost of inefficiency.

It is difficult to be absolutely unbiased, smarting as we do under a keen sense of the injustice and breach of faith of the Government reflected in the conditions on our Louisiana and

Texas Lines when returned to us. I therefore give the opinions of other competent judges:

Hon. Frank B. Kellogg, of Minnesota (Rep.), U. S. Senate, December 5, 1919, said:

"When the war broke out we had in this country, all in all, the best, the cheapest and most efficient transportation system in the world. That it was not perfect goes without saying. But this is true, and will be conceded by substantially all the experts in the world, that nearly all the inventions, improvements and advancements of transportation facilities have resulted from American inventive genius and energy and enterprise. An efficient and constantly growing transportation system is absolutely necessary to the very life and prosperity of this nation and must be had to maintain the growth of the country. In the main, the present deplorable condition of the railroads is due to the inefficient and extravagant Government management and stupid bureaucratic control."

Hon. Atlee Pomerene, of Ohio (Dem.), U. S. Senate, December 6, 1919, said:

"I say, as a result of a year's study of this problem, that there has never been in the history of the railroads of this country as much extravagance and inefficiency as there has been under this unified control, no matter what the merits may have been; and there have been merits in the unified operation."

William J. Cunningham, James J. Hill Professor of Transportation, Harvard University, in the *New York Evening Post* of January 20, 1921, said:

"When the railroads were returned to their owners last March the condition of equipment as a whole was worse than when Federal control began."

In a paper read before New York Railroad Club, January 21, 1921, Samuel O. Dunn, Editor, *Railway Age*, said:

"The Government did not maintain the railroads in as good repair and as complete equipment as when taken over. For example, it did not put into their tracks anywhere near the number of new ties and rails necessary to maintain them in accordance with their obligation. It repaired and maintained their locomotives and cars so inadequately that when the rail-

roads were returned to private operation their equipment was in the worst condition ever known."

The answer, therefore, to the question "What is the matter with the Railroads?" is, that they are suffering from the effect of 26 months of an experiment in government ownership and operation. I use the word "ownership" advisedly, as I have already pointed out that the Federal Railroad Administration from the beginning treated the railroads as if they were absolutely owned by the Government.

This is the disease. The remedy is simple. The first requisite of any business is the right to conduct its own affairs. Without this right, efficient operation is impossible. In endeavoring to free themselves from the bonds of the labor agreements riveted on them during Federal control, when they were powerless to help themselves, the railroads are now trying to eliminate conditions that militate against their rendering such service as you have a right to expect, and in so doing are championing the cause of the general public. The present predicament of the railroads should cause the gravest apprehension to every thinking person. It is not a question of revenues adequate to cover operating expenses, taxes, fixed charges and a reasonable return to shareholders, but one of corporate life and death, and life and death as well to every industry in the land. Poor service, no matter how low the rate, is expensive and increases the cost of everything. The price of good service is negligible when compared with the price of poor service, and if you want to reduce the costs in all lines of business and in all industries I urge you to support the railroads in their efforts to bring about better transportation conditions.

The roads propose that the Labor Board permit a prompt return to working conditions under which an honest day's work will be given for an honest day's pay. This *major effort* does not propose a reduction in wages, does not abrogate the Adamson Act or Eight-hour Law, and preserves to labor all the peacetime advantages that obtained on December 31, 1917, as the result of years of collective negotiations, conferences and arbitration. There are now before the Labor Board propositions to reduce wages, also—and there will be many soon. It is imperative to remove the waste and inefficiency forced upon the

railroads by the rules and working conditions made by men who were indifferent to the future of the properties and in the negotiation of which railroad owners had no voice. It is an essentially preliminary step in any effort toward the realization of conditions which may make it possible for the railroads to live under existing rates.

In existing conditions gross revenues of railroads are in the control of the Interstate Commerce Commission and State Commissions; operating expenses are fixed by numerous Federal and State laws, and the terms "Government," "Federal Railroad Administration," "regulatory commissions" you must understand are but other names for the people, *for you* who have permitted the things to be done that have brought the railroads to their present plight.

In trying to better existing conditions we feel we have the right to ask your help, as the people in 1916 made the most complete surrender of their interests in passing the Adamson Bill, the first of many concessions to unreasonable demands of organized labor that have saddled burdens on the railroads, which if not removed will lead inevitably to ruin.

In passing the Transportation Act you recognized the interdependence of revenue, expenses and net income and provided means for handling labor troubles. In your three representatives on the Federal Labor Board rests the balance of power, as it should rest, and you can dictate the settlement of questions arising between railroads and employees. Two of your three representatives must agree with the three representatives of either the employers or employees to reach a decision. It is therefore eminently proper that as your interest in such issues is paramount you should take part—and a very active part—in all proceedings before the Board. This could perhaps be done best through the Chamber of Commerce of the United States, which represents all commercial bodies in much the same way as all the railroads are represented by the Association of Railway Executives. We frankly admit the absolute necessity of your help in solving the railroad problem, and earnestly ask it.

At the same time it is eminently proper that you should expect the managers of the railroads to tell you what we are doing

to effect economies and provide efficient operation and adequate transportation facilities.

We have spent vast sums in reducing grades and curves and on second tracks, sidings and terminals in order to increase the carrying capacity of our lines and to eliminate delays.

Conservation of fuel through the use of superheated steam, feed-water heaters and other improvements and the education of the employees charged with its use—whose loyal coöperation we are pleased to acknowledge—is daily receiving more and more attention.

Shop facilities and new and more powerful tools are being provided, so that the delay to locomotives and other equipment in shops has been materially reduced.

Freight car design has been studied so as to produce a 50-ton box car 3.3 tons, or 15%, lighter and materially stronger than the United States Railroad Administration car; the favorable effect of which on income is $330 per car per annum.

With the help of our employees the safety of life and limb has been greatly increased. The relation of fatalities in train accidents to locomotive miles run on all railroads of the United States for the first six months of 1920 was 20% less than in 1917. There was no fatal accident to either passenger or employee on the entire Southern Pacific System, including its electric lines, in December, 1920.

A revival of business will increase railroad earnings and will better conditions, but what will help more than anything else is your continued assistance and coöperation, which you have given so cheerfully since March 1, 1920, to railroad managers, in using tracks, terminals, locomotives and freight and passenger cars more intensively than they had ever been used before, thereby avoiding the spending of fabulous sums that would be required to provide additional cars, sidings, second track, terminals, etc. The money value of what has been accomplished with your assistance since the first of March represented by interest that would have accrued on the cost of additional equipment, yards and side tracks to hold it, and maintenance and depreciation of cars and tracks, is $440,000,000, or $1,220,000 a day. Private control, supported by sympathetic public opinion and coöperation, moved the heaviest traffic in the his-

tory of American railroads in August, 1920. It exceeded the average monthly movement of ton miles under Federal control by 12½%. The experience of carriers in past years with a public at times hostile and non-coöperative through lack of common understanding, and the experience of the public with 26 months of arbitrary and wasteful government control, has had a chastening effect on both, and from our respective experiences has sprung a spirit of tolerance and harmonious relations that now exist. Your aims and interests and ours were never so nearly recognized to be the same as they now are, and it behooves us all to foster these relations so that they may be lasting. By every means in our power we shall try to perpetuate them.

THOMAS WILLIAM LAMONT

THE AMERICAN BANKERS' RESPONSIBILITY

Thomas William Lamont was born at Claverack, New York, in 1870, graduated from Harvard University in 1892 and then went to New York as a reporter on the *Tribune*. He soon transferred his interests from journalism to banking and since 1911 has been a member of the firm of J. P. Morgan & Co. During the War he rendered great service in the financial operations of the nation and was Chief Financial Adviser to our delegation at the Peace Conference. Mr. Lamont affords a notable example of the great public service performed by leaders of private corporations. In the forum for discussion of national and world affairs no voice commands more thoughtful attention than his. This address was delivered before the American Bankers' Convention held in New York City October 3, 1922.

As Chairman of the local Reception Committee and in behalf of New York's bankers and citizens generally, I bid you welcome to this City. We want you to feel that New York City is your city—not for this Convention week alone, but for all time. For we would have you believe with us, once and for all, that New York is not local to the Atlantic seaboard, but is countrywide in its interests, in its achievements, in its attachments. There exists in this country to-day far too much in the way of sectional feeling—a feeling which if not tempered by more intimate intercourse and common experience means disunity for our country. To prevent any such unfortunate tendency is the part of all of us.

New York is not made up of a citizenship separated by some mysterious distinction from the rest of the country. On the contrary, it is composed largely of men and women from every locality in the four quarters of America. Except for its size, it might be any other great American city. Broadway is an-

other name for Main Street. Let me tell you in a word how we in New York feel. We feel that we have a share equal with you all in the life and the ambitions of our country from the Atlantic to the Pacific. We have the same satisfactions, the same pride as you in the great manufactures and the wonderful agriculture of the Mississippi Valley, in the cotton fields of the South, in the wheat prairies of the Northwest, in the rugged grandeur of the Rockies and Sierras, in the fertility, the color, the charm of the Pacific Slope. These great resources, the common inheritance of us all, which your boundless energy and capacity have developed to the benefit of the world, command our admiration and our gratitude.

In the same way do *you* all share deeply in whatever this City of New York possesses in the way of fine tradition, of character, of enterprise and accomplishment. Whatever it has builded for the stability and security of our country, you have had a share in that building. Whatever it has accomplished in the less material things of life, in music, letters and the arts, to such accomplishment, I say, you have contributed generously and in a portion that could never have been spared. Therefore it is that we would have you feel that New York belongs to the country and the country to New York. Therefore it is that we would have you return here, time after time, members with us of a closely joined family, sympathetic in understanding, close in aspiration, warm in mutual affection.

Domestic Business Conditions

Our President here has asked me to say something about American business to-day, both domestic-wise and as it is affected by conditions abroad. As to the domestic situation by itself there would appear to be little cause for conflicting views. We seem to be well into the final stage which, as the records of decades show, marks the end of one business cycle or the beginning of a new one. I hardly have to recall to you the successive stages of our business triumphs and our trials. First, was the end-of-the-war phase of huge demands for commodities of all kinds, of swiftly mounting prices, of constantly ex-

panding business and accompanying inflation. Second, came the storm signals, namely, the heavy drop in security values in the last half of 1919. Third, came the swift fall in commodity prices, not in America alone but all over the world—a fall that would have spelled disaster to American business had it not been for the sagacity and courage of you bankers here before me, backed up by the Federal Reserve System with a fine common-sense Southern banker at the head of it, Governor Harding of the Federal Reserve Board! Fourth, in this cycle, came finally the ease in money which denoted the flattening of prices with business on its back. That easing of money became marked in the summer of 1921, and now, as has been the case in other business cycles, we have, after a twelve-month of easy money, begun clearly to move forward again. We have had rude buffets and deep wounds. But American business has at last, with characteristic courage, bound up its bruises and is slowly moving on to new goals.

Yet, despite clearing skies and fair weather, we have not yet cause for unbounded confidence. We must not forget that, before the race is won, we still have some hurdles to jump. What are some of these hurdles? Our farmers would tell us that the chief one is the low price prevailing for farm products. They say, "Yes, this is a big season for crops, but our net money gain will be small." You know what the figures show, but here is the estimated comparison between our crops last year and this:

	1922		1921	
Wheat	818,000,000	bushels	795,000,000	bushels
Corn	2,875,000,000	"	3,080,000,000	"
Oats	1,255,000,000	"	1,061,000,000	"
7 Cereals	5,274,000,000	"	5,195,000,000	"
Cotton	10,600,000	bales	8,000,000	bales

I shan't attempt to argue the point of lower prices; but I never knew any country to "go broke" because of its abundant crops. So, even though the farmers suffer disappointment, I think the low-price hurdle is the easiest one to jump. The farmers had high prices in 1919 and 1920, but the aftermath was a serious

one for them. In the long run they, like all of us, will fare better on a moderate price scale, with small fluctuations.

The Problem of Labor and Capital

What other hurdles have we to leap in our race for prosperity? Certainly our labor strikes form one, and a big one at that, even though the worst may now seem to be over. We all say that we deplore these wretched struggles, yet the extent of our regret must be measured by our endeavor to prevent their recurrence; by our attempt to reconcile the conflicting views. As bearing upon this situation, I ask you, who are so influential in counselling large men of business, to remember that in this country, there are still traces of arrogance among employers, as there are manifest signs of arrogance in labor. Yet the employer has even less excuse for arrogance than the laborer. The high wages of the war and of the years just after had, not unnaturally, a somewhat "spoiling" effect upon labor. They gave labor the feeling that it must always share in the prosperity,—never in the adversity of business. I deplore that feeling; yet I beg to remind you here that that feeling of labor, in so far as it was directed to the improvement of living conditions, to the gaining of a little leisure, and to the time to play and be happy, was wholly right and to the advantage of the community. From such men as you, such ambitions on the part of labor, moderately and wisely directed, should have every possible encouragement.

The problem of capital and of labor will never be wholly worked out. People talk as if it were an example in arithmetic, capable of a final solution. It is no such thing. It is a problem of human beings: therefore, of emotions, gropings, longings and ambitions. We can meet it only little by little, and only then if we put ourselves in the other fellow's shoes and get his viewpoint. Do you and I want to change our jobs of long hours, evening conferences, heavy and continuing responsibility, for the job of the man who has the chance in his daily work to relieve his brains with the work of his hands? Some days no doubt we all feel like it; but whether we would make exchange

or would not, it is our responsibility to study more fully than we do to-day the conditions of labor and to be sure that, by and large, every competent worker (be he in the office or in the field) has an interval in the drudgery of work for that enjoyment of life that will make him a more contented and better citizen. In this matter you and I have a responsibility that we cannot dodge.

Politics and Business

What other hurdles have we to jump? If I should answer—politics—the response might well be that politics are always with us and must ever be reckoned with as a handicap upon business. If that is true, it is our own fault in the men whom we select to legislate for us. The hurdles against business which politics set up are likely to be more formidable in the continued unsettlement which they threaten than in the actual results of legislation. That is the reason that the Bonus Bill, with its threat to tax several billions of dollars more out of the American people and distribute the fund in such a way that probably no one would receive real benefit, has been a hurdle to business. That is the reason that President Harding's ringing veto of the Bill has created such a feeling of relief in the community.

The tariff measure is of a somewhat different order. We shall be fortunate indeed if we do not find that in practice it protects a lot of industries that do not require protection, and cuts off from our farmers and manufacturers a lot of foreign markets that are ready to buy our commodities. Many of our people still fail to realize that the word "trade" means, in the final analysis, an exchange of goods or services. Many of us still cling to the idea that international trade, as the term applies to America, means that we can sell freely to all the markets of the world and in turn need buy from them little or nothing. This theory, which seems to be the basis of much of our tariff legislation, will, if pursued, surely wreck a big part of our foreign trade. If there is any one motto which American producers and legislators should learn by heart, it is that

oft-repeated one of the British merchants, who, over a century ago, declared that "He who will not buy, neither shall he sell."

Now, let us cast our eyes across the ocean, and see if we can derive any comfort from that situation. With war and rumors of war, with the Turk—the "Sick Man of Europe," suddenly alive and kicking the Greeks all around the lot, with Russia, Germany and Austria what they are, with Ireland still in a ferment, we may well wonder what end is in sight. Yet to say that Europe has "gone all to pot," or in fact to give vent to broad generalizations about Europe, is very dangerous. On the surface, yes, things look about as bad as they could. But you bankers, when you are sizing up a customer, look far beyond his mere written statement. You take into consideration his character, his life-long record and many other factors not plainly visible. So in any size-up of Europe we must take into account the invisible factors. And I say to you that these invisible forces are saving Europe to-day. Politically, Europe may be in the doldrums or worse; but economically (though many people may disagree on this point) I, for one, believe that Europe is on the mend.

Invisible Forces Saving Europe

What are these invisible forces that, I maintain, are so great as more than to offset the visible and unfortunate factors in the European situation? The first of them is productivity. Those forces that for almost five years were given over to the killing of men, are now being devoted to the growing of crops, to the making of goods. Second, trade is on the increase; not only as to Great Britain, the traditional merchant of the world, who is already well on her feet, but as to the whole continent of Europe, even including Russia. England, has, since 1919, paid off £275,000,000 of her external debt—an amount equivalent to one and one-third of America's entire national debt prior to the World War. Last year France reduced the trade balance against her from an adverse figure of 23 billion francs to 2 billion francs.

The third point is that the people of Europe are saving. The

War and its aftermath meant an orgy of spending. Now saving is taking its place. Politicians may disagree every morning upon the settlement of the reparations question, but meanwhile the brave French peasant, day by day, is growing his wheat, is saving his centimes. What, by the way, is the amount of savings that the French people have invested in their own government securities since the War? One hundred billion francs.

As to Russia, just as I was leaving London early in the summer, practical business men, familiar with Russian conditions, made this prediction to me: That there are two ways, one akin to the other, in which the Russian situation will gradually improve. One is that the Soviet Government will begin to persuade foreign engineers, manufacturers, and other technical experts to return to Russia and take in hand various units of production and transportation. The second is that foreign merchants will open up more active trade—not direct with Russia, which seems for the moment impossible—but with the buffer states like Latvia, Esthonia, etc., whose merchants (having formerly been a part of it) know Russia perfectly; and in return for shipments of goods into Russia can secure payment in kind or in some other way not open to the ordinary foreigner. One of my friends described these two processes as to Russia as akin to the isolated skin-grafting operations that are sometimes undertaken upon a bad burn on the human body. A lot of little patches of healthy skin are stuck here and there, gradually grow and after a time, with good luck, come together and cover the whole burn. I was inclined to think this a pretty good metaphor and to believe that this prophecy as to Russia was not unlikely of fulfillment, even though the time involved may be long and weary.

Grievous Loss of Man Power

Grievously as the Continent of Europe has suffered from the War, I would remind you that we are too apt to reckon such losses in material terms—in the destruction of dwellings, of mines and of means of production. Europe's greatest loss, one for which not only she but the whole world must suffer for gen-

erations to come, is the death of millions of her young men; vital, eager, ambitious; singers, painters, poets; men of imagination and of genius, upon whose ideas a great portion of the world depended for its future progress, for its discoveries in science, for its inspiration in the arts. Do you remember those lines of young Rupert Brooke, himself destined a little later to lay down his life in the great cause:

> These laid the world away; poured out the red
> Sweet wine of youth; gave up the years to be
> Of work and joy, and that unhoped serene
> That men call age; and those who would have been,
> Their sons, they gave, their immortality.

And Europe's great tragedy has been the loss of such lives and the upset of her social structure, the restoration of which will require far more of time and patience than the repair of the material destruction wrought upon her. It is to such spiritual repair that America can by thought, by insight and sympathy contribute even more than in material ways. And upon us bankers and business men falls the responsibility of encouraging in this country the education and inspiring of our young men to high and generous ideas. For it is our young men, trained in imagination and initiative, that, in the next decade or two, must supply to Europe some of the vitality that lies stilled forever beneath the mud of Flanders.

Remember, too, that Europe cannot be restored by formulas. No scheme can right the world. Neither statesmen, economists, nor bankers can devise a plan of salvation. Only the people can save themselves, and that through the exercise of the old-fashioned virtues of hard work, of thrift, of kindliness and coöperation—coupled with wise and courageous leadership. And that is the point that leads me to emphasize the title which I have given to these scattered remarks of mine: "The American Bankers' Responsibility."

America's Good Fortune

First I want to remind you of the great privilege it is to be an American citizen to-day. This is still the country of great

opportunity. The great, open spaces of this North American Continent have given us justification for boundless vision, for generous impulse, for glowing optimism, or helpful coöperation in all directions. Just to be born an American, free from some of the clinging prepossessions of the Old World, is in itself an inheritance and a career.

Are we to-day realizing our opportunities? As to our purely domestic situation, I should reply, on the whole, yes! Our people are generally working in a worthy way towards worthy ends. They are meeting most of our strictly home problems with candor and good sense. If, as a people, we have a lack, it is that not often enough do we "pause in living to enjoy life." We are sometimes apt, in our eagerness for quantity, to overlook quality. We let our days and our passing pleasures grow elaborate and complex, forgetting that moth and rust corrupt and that ideas and ideals are the only things that endure for the ages. America within itself is, I repeat, a land of generosity and coöperation. Throughout our great and growing commonwealths from East to West we see public spirit, eager and intelligent; we see warm hearts, fine impulses, directed towards noble ends. But are we bringing this native American idealism—that same idealism that has led us, in five of the six wars that our nation has waged, to battle for high principle—are we bringing that same inspiration to our relations with the world at large? That is the question that, with searching earnestness, you and I may well put to ourselves to-day.

Interallied Debt Problem

In this connection, there is no concrete problem more vital for us to study with clear and generous vision than that of the so-called interallied indebtedness. From the purely American view there are certain points important for us to bear in mind. It has been said many times in the last twelve-month that the one adjustment essential to the settlement of Europe is the German reparations question. I agree that this has been, and is, a question of great importance, but it seems to me that it has now become secondary to the general one of interallied debts. Of

course, in a way of speaking, it is simply a part of the latter question, because Germany's indebtedness to the Allies is international in character. In our discussions of reparations over here, the American attitude has, on the whole, been critical of the French for apparently not realizing more quickly the facts of the situation and thus drastically scaling down the reparations payments. In fact, many critics over here have been advising France to forgive a good part of the German debt. To these critics Frenchmen have not unnaturally replied: "It is easy for Americans to advise us to forgive German debts due us in repair of the frightful havoc caused by Germany upon our homes and industries; but what about America, in turn, doing a little of the debt-forgiving business, especially as the debts that were contracted with the American Government were made in order to enable us, in large measure, to do America's fighting before her own soldiers got into the firing line?" I am not going to argue this point. I simply bring it up so as to ask you to give it your further thought and study—whether there may not be some reason for the French attitude.

The reason why I say that reparations has now reached a stage secondary to the larger questions of interallied indebtedness is that, while no reparations adjustment has yet been reached, nevertheless public opinion on the other side has now advanced to a state where, when the reparations question comes up again next November, it ought not to be impossible to settle. In other words, over a year ago, the British realized that the Germans could, or would, never pay anything like the reparations total fixed in the Versailles Treaty. Later the Belgian Government became similarly convinced, and now in France, as I have talked there with many classes of representative Frenchmen, there has come to be the same recognition of the fact that Germany cannot pay the huge totals set forth. The French Government, however, has, not unnaturally, taken the position that it could make no official acknowledgment of such a general fact until such time as a possible settlement was offered. The French thesis is that if Germany cannot pay what she has promised to pay, let her come forward and state just why she cannot, and what and when she can pay. Up to date the French declare they have not received any clear-cut proposi-

tion from Germany covering these points. They say that when they receive such a proposition, they will be prepared to act. I bring out this point of view, because I feel that while to many there may have appeared to be something "hard-boiled" in the French attitude, it is only fair to analyze that attitude and see what it really is.

Further, when it comes to this question of interallied indebtedness, suppose we put to ourselves, in all seriousness, that point that the French have put to us, namely—"is it fair for us, inasmuch as we seem to be urging France to forgive part of the German debt in order to effect economic adjustments in Europe, to do a little forgiving ourselves?" As we put this point to ourselves, suppose we spend a moment in looking at the amounts of governmental indebtedness owing to our Government. Just for record, I will mention again the rough totals by countries:

Armenia	$11,959,917
Austria	24,055,708
Belgium	377,564,298
Cuba	8,147,000
Czecho-Slovakia	91,169,834
Esthonia	13,999,145
Finland	8,281,926
France	3,358,104,093
Great Britain	4,166,318,358
Greece	15,000,000
Hungary	1,685,836
Italy	1,648,034,050
Latvia	5,132,287
Liberia	26,000
Lithuania	4,981,628
Nicaragua	170,585
Poland	135,620,583
Roumania	36,128,494
Russia	192,601,297
Serbia	51,153,160
Total	$10,150,154,196

Now as to this indebtedness, early last spring, Congress passed a law under which the President appointed a special

commission to negotiate with the foreign nations the handling of their indebtedness. The power of this commission, however, was strictly limited by law. It must require the borrowing nations to pay off their entire indebtedness within twenty-five years and meantime to pay interest at an average rate not below 4¼ per cent. Of course, such provisions leave little room for negotiation. Under that bill about all that the European nations can do is to "sign on the dotted line," or else to decline to sign, on the ground that they know that they will not be able to live up to the specified obligation and, therefore, feel it impossible to commit themselves to a promise that they cannot carry out.

Now, being all, I hope, practical men, I think it behooves us to scrutinize this situation and to look into the various factors bearing upon it. Let us, by investigation, determine what, if any, of these debts are in any event uncollectable, and so should be written off in order to "quit fooling ourselves." Let us decide what others of these debtors are good in part but must be given ample time to pay in—far longer perhaps than twenty-five years. Emphatically, let us figure to see whether the payment of these debts (which inevitably must mean a great increase in our import and a heavy decrease in our export trade) is going to prove an asset or a liability for American business.

Should the Debt Fall into Two Categories?

I have never been in favor of wholesale cancellation of the allied indebtedness, nor am I to-day. But there is one phase of the whole question, worthy of study, which has practicality in it and also some sentiment. It is based on the following fact, namely, that about one-half of the total indebtedness shown in the foregoing table was contracted between April 4th, 1917 (when Congress declared war against Germany), and the date a year later when the American army for the first time got its soldiers into the trenches in any considerable numbers. Can it not, with much reason, be argued that whereas during this period of one year, we were wholly unable to furnish soldiers to fight our battles for us, at least we were able to furnish arms

and munitions? We did furnish these, but not as a free contribution to the War, for during that period the Allies were purchasing these commodities in America and were paying for them by contracting the debts just described. Ought, therefore, any part of this first half of the debt to be cancelled by the American taxpayers? I do not attempt to answer that question, which of course has been raised many times heretofore. I simply bring it up again and urge you to think about it, and if, when, you reach a conclusion, express that conclusion out loud. One thing is certain: if someone on April 4th, 1917, had been able to give us our choice as to whether we should rather give up freely and for all time five billion dollars in money or give up the lives of several hundred thousands of our sons, there would have been no hesitation as to our choice. Fate, however, was the one that determined that choice. It determined that Great Britain and France should give up their lives during that first year, and that we should furnish, not our blood but our money; taking, however, in place of it the promises-to-pay of our Allies. No other policy at the time could have been followed, I grant you, but now that the War is behind us and we can take a long look back, is it wise for us, is it just, is it generous to make some composition of this matter? What is your opinion?

In making up our minds as to the proper answer, let us recall a phrase that of late years has been much used here, and sometimes misused—"America First." What does America First mean? Does it mean that we shall strain every nerve to make America first in wealth and prosperity? If so, we have already attained that ambition. Already we hold two-fifths the entire world's stock of gold. We produce 54 per cent of its cotton; 45 per cent of its grain; 60 per cent of its copper; more than half of its iron and steel. Is there any field of material accomplishment that we are not preëminent in?

As to science, no ambition could be more exalted than to have America first in that field. And we may well be glad and proud that in so many lines of science, especially perhaps medicine and pathology, this country is in the van; its progress being manifestly due not only to the zeal and skill of our scientists, but also to the boundless generosity of those men

who have used their wealth to relieve and to bless mankind.

In education, too, America is in the front rank, and even though in systems for training minds of our young we may have much to learn, yet no one can deny that in our scheme of general, free schools for the youth of the land we probably surpass any other country in the world. Likewise, in our charity, America's record is a noble one. Who can forget the colossal sums for relief that our people freely gave, during the War and after? Mr. Herbert Hoover estimates these sums to have aggregated $1,204,343,000 down to the summer of 1921. Of this amount approximately $200,000,000 was sent abroad after the Armistice to feed the hungry and clothe the naked.

Are We Doing Our Full Share?

Yet with all this splendid record of liberality and accomplishment, I again put the question whether you and I and our fellow citizens generally are doing our full share to solve the weighty, the tragic questions that are weighing upon the world? Are we giving to the solution of those questions the best that is in us—our constant study and thought, the willingness to sacrifice? I make no appeal to you for the immediate material aid of the world that lies beyond the Atlantic and Pacific. I make appeal to you, and to myself, for something far more rare—for our assurance to them that we are with them in mind and in spirit in the solution of their difficulties; that we are once again ready, as we were in the Great War and as our forefathers have been for 150 years, to suffer if need be, and to yield up something of ourselves in the general cause of world justice and peace.

Concretely, may I digress for a moment to mention two situations with which in the past two years I have become somewhat familiar? One of these is the Far East. The other is Mexico. Across the Pacific, Japan is our nearest neighbor. Do not gain the opinion that the Japanese people are a sharp, tricky nation, unfriendly to us and wanting to get the advantage of us. It is not so. The Japanese nation as a whole is exceedingly anxious for our good will and friendliness and

will go far to gain and retain our coöperation. Nothing, I believe to-day, is, in their opinion, quite so vital to them as an unbroken friendship with their neighbors of America. But it was upon the transcendent problem of China that I particularly wanted your thought. There is a great people—four hundred millions of them—a people high in the arts and in civilization three thousand years before Columbus came to America. But in these modern days their antiquated system of government has broken down. And trusting America, these great people of China—sober, peaceful, honest, industrious and intelligent—ardently desire the guidance of America. Any question affecting the peace and development of the whole Pacific basin must be of interest to us, and no task of greater magnitude and import waits upon us than to assist in the solution of China's difficulties. That is why I regard the Pacific Four-Power Treaty reached at Washington last winter as of such supreme importance to the Far East and as calling for the study and loyal support of every American citizen.

As to Mexico

The other concrete situation which I had in mind was nearer at hand; our next neighbor to the south. To Mexico, as to China and Japan, duties not of my own seeking called me not long ago, and much time has been spent in an endeavor to assist Mexico in what I believe to be a sincere attempt by her present Administration to work out the problem of her foreign indebtedness. Any such attempt, if carried out in good faith and effectiveness by the Mexican Government, must be bound to impress the world. And what I ask of you now is to give some little thought to this near neighbor of ours. Do not accept the "hard-boiled" opinion of your neighbor that "Mexico is hopeless" or that "All the Mexican people care about is to fight revolutions." No such opinion is true. No such opinion shows any scrutiny of the facts. Study the situation for yourself and you will find this to be true: That during the administration of Porfirio Diaz, intelligent and high minded as he was in so many ways, millions of the Mexican people had

almost no opportunity to improve their position either by acquiring education or by becoming, even in part, owners of the land which they cultivated. So that the revolution which overthrew Diaz and the revolutionary movements that succeeded it —misdirected though some of them were—were, in general, efforts to relieve and uplift the great mass of Mexican people. Remember this and you cannot fail to have more sympathy with the situation to-day. Of course, the movement to reform, like all such movements in history, went too far. The pendulum swung away to the left. Trying to correct admitted evils the Republic created some new ones and adopted a constitution which is subject to criticism, not so much on the ground of its radicalism, as upon its unworkableness. The present Administration in Mexico is, I believe, making an earnest effort to change the workings of that 1917 Constitution so as to give the country a sound basis to work upon and its foreign investors adequate security. Because, however, the process is slow and halting, we have no cause for despair. On the contrary, there is strong ground for hope, always provided that you intelligent leaders of our community take the trouble to study facts, and never be wearied in your patience and sympathy for that neighbor whose frontier marches for sixteen hundred miles with ours from the Gulf of Mexico to the Pacific.

To the problems then of these two neighbors of ours to the south and across the Pacific, I ask you to give your personal thought and interest; pointing out to you meantime that the situation of Europe is inescapably joined with that of our own. In a material way we have made many nations, as Mr. Wickersham has said, dependent upon our own surplus products, and ourselves, in turn, dependent in part upon their markets. But, as I have said, the coöperation that I ask first for them is not economic. It lies in understanding and sympathy. The shot that was fired at Lexington in 1775 was heard around the world. At that moment America set aglow a new beacon to light the way to freedom and liberty for the generations on both sides of the Ocean. But now that we have won so far on the way to a splendid national achievement, to well-ordered freedom, to prosperity and contentment, have we no flaming torch of leadership that we can raise before the eyes of the

many millions who, since the Armistice, have been looking in vain for it?

America at the Parting of the Ways

Finally, do not forget that, as these nations of Europe face great dangers, America too is facing a crisis, though of a different order. We have gained great power. With the power goes weighty responsibility. Have we discharged it? For the period of the World War, my answer is yes, a thousandfold yes. For the period since the Armistice, can any one of us search his heart and answer, yes? We have, it is true, offered criticism to the nations of Europe. We have shouted advice across to them. But we have been timid and fearful of petty entanglement. Now we have, it would seem, come to the parting of the ways. Shall we meet the responsibility that has come with our power—or shall we fail? Shall you and I give our mind, our understanding and our sympathy to these problems or shall we stand aside and add to our national stock of gold? Shall we urge upon our National Government active cooperation in the counsels of the Mother Country, and of the Old World? Or shall we keep silent?

Nineteen hundred years ago there was One who said: "For unto whomsoever much is given, of him shall be much required." And again a little later: "With what measure ye mete, it shall be measured to you again." What shall we measure for ourselves? Shall it not once more be the courage that is America's tradition? Shall it not be the generosity as well as the justice that, among all the nations of the earth, will in truth and in name make America First?

IVY LEDBETTER LEE

PUBLICITY FOR PUBLIC SERVICE CORPORATIONS

Ivy Ledbetter Lee is adviser on public relations to the Pennsylvania R. R., the Standard Oil Co. and many other large interests. It is only of late years that great corporations have felt the need of an expert publicist to advise in regard to their relations with the public. Mr. Lee has indeed created a new office and service. No one is more prominent than he in the public discussion of affairs of business, labor and industry which is represented in this volume of "Modern Eloquence." Mr. Lee was born in Cedartown, Ga., in 1877, graduated from Princeton in 1898 and studied later in Harvard and Columbia. He began his career a newspaper man and soon became employed in publicity work. He is the author of many books and during the War was prominent in the Red Cross activities at home and abroad. The present address was given before the Convention of the American Electric R. R. Association at Atlantic City on October 10, 1916.

PUBLICITY must not be thought of as it is by a good many as a sort of umbrella to protect you against the rain of an unpleasant public opinion. Publicity must not be regarded as a bandage to cover up a sore and enable you to get along pretty well with the real trouble still there. Publicity must, if your trouble is to be cured, be considered rather as an antiseptic which shall cleanse the very source of the trouble and reveal it to the doctor, which is the public. To change the metaphor again, publicity must not be thought of as a cloak to look well on the outside of a body deformed and diseased within. It must be looked on as rather a social X-ray which shall reveal the bone and the tissue, even the very heart, of the body itself. No one must attempt to adopt publicity or make use of it for his benefit unless he is prepared to take all the consequences.

A company cannot sing of its prosperity to security holders

and at the same time cry over its poverty to tax appraisers and its workingmen. Publicity is distinctly a weapon that cuts both ways, and unless a man is willing to tell everything openly, he had better not "monkey" with publicity. If his desire is simply to avail himself of publicity where it benefits him, and to get behind the curtain when he does not want publicity, my advice to him is to let it alone.

In adopting a policy of publicity any company should establish clearly to its own satisfaction that it is pursuing a policy which is as reasonable as, under the conditions, it can pursue. Such a company should be sure it is doing the best it can even if under difficult conditions. Things may not be as you would like to have them, and there are a great many improvements you would like to have made, but be sure conditions are the best that you yourself can make. If they are not the best, at any rate you are trying as hard as you know how to make them so.

Having arrived at that policy the next step is to pin one's faith in certain fundamental beliefs:

First: The first and most important of these axioms is that the people are intelligent and will not submit to having something put over on them. Second: We should make up our minds and believe firmly in the fact that the American people are fair, once they know the facts.

Sometimes the people are slow in arriving at what seems to be a fair decision. But in the long run I believe that the heart of the American rings true, and that if we are reasonable and are doing the best we can, we can be sure that a presentation of the situation as we see it, and as it appears reasonable to us, will also appeal as being reasonable to the American people. But, as the President of the United States not long ago very correctly said, the people are not moved by mind, they are moved by sentiment. In developing a policy of publicity we cannot expect merely to reason the case out, merely to present statistical data and arithmetical equations, and have the people draw from these statements the conclusions we should like them to draw. People are interested in their own affairs, they are not very much interested in your affairs and they will not analyze statistics.

The Fundamental Purpose of a Publicity Policy

The fundamental purpose, therefore, which must underlie any policy of publicity must be to induce the people to believe in the sincerity and honesty of purpose of the management of the company which is asking for their confidence. If the men who are in charge of a particular company enjoy the complete confidence of the people of that community, fifty per cent of that company's troubles are over. With such men enjoying the confidence of the people, telling the people the truth, the people in the long run will do what these men believe to be reasonable, because the people will believe in them and in the fact that what they believe to be reasonable—is reasonable. The first object of any policy of publicity, I therefore repeat, is that the management itself gain the personal confidence of the people.

Publicity in its ultimate sense means the actual relationship of a company to the people, and that relationship involves far more than *saying*—it involves *doing*. An elementary requisite of any sound publicity must be, therefore, the giving of the best possible service. You may say that the people ask better service than you can give with the money at your disposal, and that you can give perfect service if you have the money. But, gentlemen, good service consists in many things which do not involve money. It does not cost more money to induce your employees to be courteous to the people who ride on the cars. Nothing could be more helpful to the street railways and steam railways of the United States than any active campaign on behalf of "courtesy first"—courtesy on the part of employees toward the public. Courtesy is not something which the manager can tell his employees to exercise towards the public and then himself be very economical in its use towards his employees. Employees of most companies take their tone from the man at the head, and if the man at the head expects his employees to be courteous to the public he must himself be most courteous to his employees. And that does not cost any money.

It does not cost money to give serious and thorough attention to complaints. If one complaint is made, it is a pretty

safe assumption that a good many other persons are affected by the thing complained of, and haven't said anything. A man who makes a reasonable complaint to a company should be regarded as a friend, and the complaint should be carefully examined. If you can correct the trouble, it ought to be corrected. If you cannot correct it, nothing will do you more good than a frank and candid explanation to the one who makes the complaint, giving the reasons why it cannot be helped or was not helped. One of the best things any public service company could do would be to publish a Kicker's Bulletin, in which the company would publish every kick made against the service as well as the answer made to the kick. Nothing in the world pleases a kicker, whether he has expressed himself or not, more than to see his kick in print and know it has been expressed.

The Personal Attitude of a Management

Another thing that does not cost money is the *tone*, the personal attitude of the officers of the company toward their patrons, toward the newspapers and toward the community in which they work and live. If the people feel that the spirit of a management is hard, indifferent and irresponsive to the wishes, feelings and emotions of the community, they are not going to care much what happens to the company. But if the people feel that the company is up against a pretty hard job, that its managers are doing the best they can, the public is very apt to sympathize with the managers in their troubles.

Take the case of the New Haven Railroad. You know of the troubles of the New Haven Railroad a few years ago under Mr. Mellon. Mr. Mellon was a remarkably good railroad officer, but very tactless in dealing with the public. The New Haven Railroad to-day as a railroad probably is not very much better than it was under Mr. Mellon. Its train service at the present time is wretched. People all over New England are kicking about it, and there is a great general dissatisfaction with conditions. But Mr. Howard Elliott, the president of the company, has "humanized" the property; he has taken

the people into his confidence. He has made them feel that he is doing all that can be done and that he is up against a stone wall. The result is the people are sympathizing with his difficulties and helping him.

It is not absolutely necessary that a railway manager should be a talker. I believe the most important thing is that he should be a *doer*. One of the best street railroad men whom I have ever known was Mr. E. W. Winter, for many years President of the Brooklyn Rapid Transit Company. He very seldom said anything to the public but he was always doing the best he could under the conditions with which he was surrounded. The people trusted him absolutely and knew he was doing the best he could. The Brooklyn Rapid Transit Company, under his management, from being one of the most unpopular institutions in Greater New York, became not only one of the most popular but one of the most prosperous. The attitude of saying and doing involves an attitude of open mindedness toward new things. It is a fatal blunder in policy for the management of any public service company to assume an attitude of complacency and satisfaction with conditions as they are. The public expects a company to be alive to every invention, to every development. When the trolley lines grew up they were fought by the railroads. That was shortsighted—and now the railroads know it. When the telephone was invented, its growth was retarded by the opposition of the telegraph. But now the telephone is an indispensable aid to the telegraph.

Take the case of the jitney. The jitney undoubtedly represents a response to a demand on the part of the people. The fact that the jitney is irresponsible, that it ought to charge a higher fare, that the business is now being badly conducted, does not alter the fact that the jitney does respond to a legitimate demand. I have heard many people say, "We do not insist upon a five-cent jitney—we are willing to pay ten cents—but we do believe that if it is possible to provide the kind of transportation for ten cents that we require, it ought to be possible for us to have it. We should be able if we want to be picked up and carried directly to our homes quickly, instead of by the slow-moving trolley. If we can get some one to provide that kind of transportation, we ought to have it."

The street railway companies will have to work out a real solution of the jitney problem.

As another fundamental element in any policy of publicity, I suggest the necessity of being sympathetic toward patrons, especially in reference to accidents. The public is apt to get the idea that the railroads are only concerned about accidents because of the amount of money that will have to be paid to settle claims. The announcements of accidents made by some companies sound almost heartless. They do not seem to show any sympathy for the people who are suffering. Yet men who run railroads have the same flesh and blood, the same human feelings as any one else. When an accident happens, why cannot they let the people know of their distress at the sufferings of the people who have been hurt?

A sound policy of publicity for a public utility company also involves the adoption of an attitude of citizenship rather than a merely selfish relation to the community at large. What I mean is illustrated in the present policy of the Western Union Telegraph Company concerning government ownership. The men who manage that company say:

> We do not know whether government ownership is the best thing or not. We have confidence that if government ownership is adopted, we will be compensated for our property at its actual value. We conceive our duty at the present time to be to give the very best possible service; next to that, to give the people all the information we can that will lead them to a sound decision on this question.
>
> We believe that in any government ownership investigation our chief value will be as an expert witness. Our first position is as a citizen. If it is best for the American people to have government ownership of the telegraph, The Western Union Company says they ought to have that government ownership. We do not think it will be wise, but we may be wrong. We will try to help you find out if it is wise.

That expresses a policy which might well be adopted by public utilities with reference to many municipal ownership contests.

While it is true that *being* and *doing* are the most important element in any company's policy, it is also true that, although you may give most excellent service, although you may be do-

ing all the things that you ought to do, although you may *be* all the things you ought to be, the public is very apt to take all for granted, just as, for example, it takes its water supply for granted. So long as the water is good, the people do not think much about it, but the moment it is the least bit contaminated, or the supply is diminished, everybody gets excited.

Why It Is Necessary to Tell What You Are Doing

There is a good deal of that element in the attitude of the public toward all public utilities, and that makes it necessary that you *tell* the public what you are doing. It is impossible to tell it to enough people by word of mouth, so you have to tell it with printer's ink. Byron says:

> Words are things, and a small drop of ink,
> Falling like dew upon a thought, produces
> That which makes thousands, perhaps millions, think.

In telling things through the medium of printers you must tell the things that are interesting. As an illustration, the general manager of the Pennsylvania Railroad some years ago on a very cold day sent out a notice to every track gang foreman —because of the fact that a great many of the track men on account of the cold would probably be wearing ear muffs—that upon the approach of a train, when the foreman blew his whistle, the foreman should see to it that every man *knew* he had whistled, and not take it for granted the men had heard the whistle.

The item was human. It was interesting. It was published all over the United States, and impressed people with the fact that the management of the Pennsylvania Railroad exercised sympathetic care for its men. A little fact of that kind has more weight in forming public opinion than a great mass of arguments. A similar item of interest is the summer-time practice of the Interborough Rapid Transit of New York in supplying its Subway employees with three newly laundered white duck suits of clothes a week. Very few people know

this. They see these men each day wearing these nice clean suits of clothes. They take it for granted. But if the people realized that the company was supplying these suits to the men free, and providing for laundry service, the public would appreciate better the spirit of the management.

Speak the Language of the People—and Avoid Lawyers

In the use of printer's ink be human, be natural, and speak in the language of the people.

The greatest thing that could be done for the street railways and the steam railroads, in fact for all utilities of the United States, would be to do for them what Billy Sunday has done for religion.

The wonderful thing about Billy Sunday is that he speaks the language of the man who rides on the trolley car and goes to ball games, who chews gum and spits tobacco juice. The people know Billy Sunday and he knows them. He goes to the heart of a subject. He moves men and affects their conduct in life far more than many sermons preached in the most cultivated English.

In trying to express yourselves in language which the people can understand, *avoid lawyers*. I have seen more situations which the public ought to understand and which the public would sympathize with, spoiled by the intervention of the lawyer than in any other way. Whenever a lawyer starts to talk to the public, he shuts out the light.

Fully one hundred years ago, Edmund Burke wrote that lawyers had "so bewildered the world and themselves in organizing forms and ceremonies and so perplexed the plainest matters with metaphysical jargon, that it carries the highest danger to a man out of that profession to make the least stop without their advice and assistance."

And H. G. Wells in one of his latest books says: "Lawyers trail into modern life most of the faults of a mediæval guild. Their law and procedure have not been remolded upon the framework of modern ideas; their minds are still set to the tone of mediæval bickering. Our urgent need is not so much to get

rid of the lawyer from our affairs as to get rid of the wig and gown spirit and to find and develop the new lawyer." There are, to be sure, some "new lawyers." But they are more human beings than lawyers.

The traditional lawyer has more regard for rights than for the right. To him precedents are all and in all, traditions must be followed, and professional etiquette is sacred above everything else. I yield to no man in respect for courts of law, but the lawyer feels that courts, legislatures and public service commissions are awe-inspiring institutions to be treated as finalities. He forgets that they are created by the people. He goes to these tribunals always, and disregards the people—the fountain of all power. I believe in telling your story to the public. If you go direct to the people and get the people to agree with you, you can disregard what legislatures, commissions, or anybody else may do or say.

I believe in paying every respect to constituted authority, but if constituted authority makes mistakes it is the duty of every citizen to make his voice heard in protest. If the people are with you in opposition to a law or a decision of some tribunal, the law and decision will sooner or later be *changed.* You may say that is a short-sighted policy, that it will do you harm and that you must cater to commissioners and constituted authorities.

But public service commissions have been making terrible blunders of judgment in recent years. Most commissioners are honest personally, but they are playing present politics, and little know how their policies will injure the public in the long run. Let the people know, and if you are right you will win.

Let the people also know that in dealing with the heads of street railway and public utility corporations, they are dealing with human beings and not mere machines.

Do not be afraid of public prejudice. It is true the fetish of the five-cent fare is one to which all knees bend, but even the five-cent fare has been overridden.

Mr. McAdoo, a very successful electric railway president, some years ago induced the people of New York City, Jersey City and surrounding country to agree to a seven-cent fare, simply by the way he put it up to them.

If the people want the service and if it cannot be given for a five-cent fare, you can persuade them in the long run to pay more for it. It is a process of education, a process in the working out of which the people will have to be shown.

In dealing with the public, in telling your story in printer's ink, you must, of course, deal with the newspapers. Take them thoroughly into your confidence, not merely as newspapers, but as representing the public.

Put your relations with the newspapers absolutely upon a frank and candid basis.

Charge the papers for what you do, and pay them for what you get, so that both sides know exactly what is being done.

Use all the advertising space that you can afford to pay for. The people are interested in so many other things that you have to make special efforts to get their attention. Many things will be published as news in the news columns of the papers, but the people do not always read the news columns. The great value of advertising space is not merely to get the thing into the paper—you can often get something in as news—but it is to be able to command your location in the paper, to be able to write your own headlines, and to be able to lay out your own typographical display. In this way you can command the attention of the people at least for a fleeting moment. And unless you can get the attention of the people away from the great mass of things which are claiming their notice nowadays, there is really not much object in having the thing printed at all.

To summarize, let me suggest that the *being* and *doing* are far more than the saying, that a man who goes into a policy of publicity must believe absolutely that he is right and that he can justify his policy upon the theory that "truth loves open dealing," and that he can rely absolutely upon the refining and sterling value of the truth.

If you devote yourself to making the public know the facts, you can have full confidence in the fact that knowledge by the public of what the truth is will make you free.

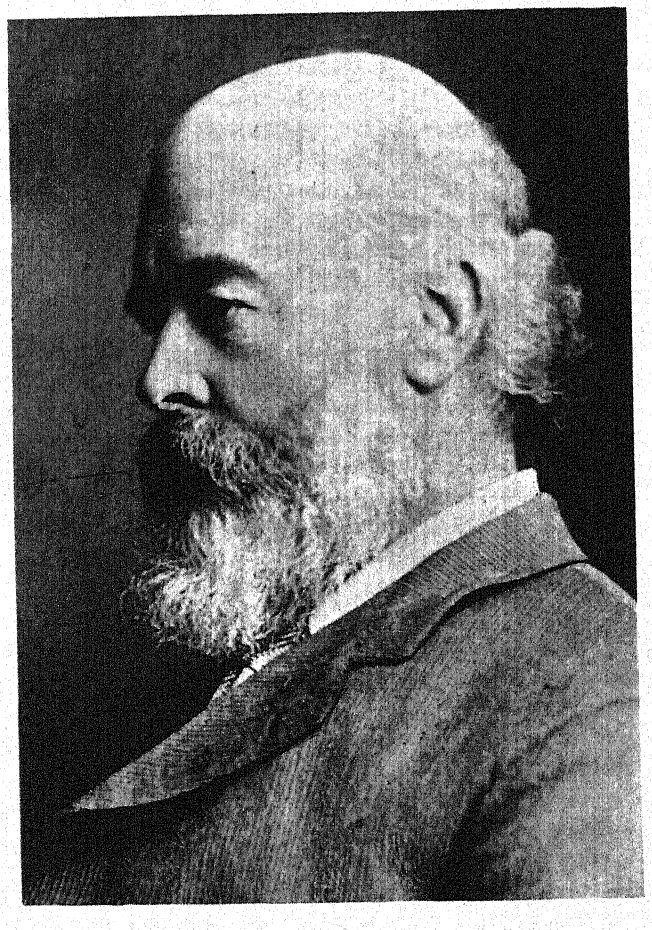
SIR OLIVER LODGE

PURE AND APPLIED SCIENCE

Sir Oliver Lodge is one of the most distinguished scientists in the world. He was born in 1851, was educated at University College, London, was professor of physics there, lecturer at Oxford, 1881–1900 and principal of the University of Birmingham, 1909–1919. The following address is especially interesting because of its prophecy of the future of science as applied to industry. It was delivered at the Conference on Science and Labor held at the British Empire Exhibition at Wembley in May, 1924. Other addresses at the conference by Lord Ashfield and Miss Margaret Bondfield are printed elsewhere in these volumes.

AFTER Mr. Hirst's interesting speech, I feel inclined to switch from what I had intended to say and to rub in a few things that he has said. I will not take long about it. He has been speaking to employers of industry and telling them what his experience has been; he could no doubt say a great deal more about that in detail, but we scientific men know what a tremendous lot the General Electric Company had done both in America and in England, although on a smaller scale in England and a very large scale in America, to apply pure science and to investigate pure science, in the faith that the results will not only lead to Royal Society papers but will lead to real financial benefit.

Mr. Hirst has very wisely said, I think, that the employers of labor should not be actuated, and are not actuated, by considerations of profit alone. They are also actuated, like other men, by public spirit; they are servants of the community; they have great power in their hands; they must feel its responsibility; and if they see a way of doing good to the country surely they will be glad to do it. That is why they are honored in their profession. As Ruskin used to say, what are



OLIVER LODGE

the roots of honor? We honor a surgeon or a physician because he is willing to sacrifice his life, to run risks, to do heroic things, when the call comes. He gets a fee, but the fee is not what he seeks. The fee comes in the course of events; and so it is with all honorable careers open to men. The pecuniary reward is a thing that is added unto them. It is not for that that they work primarily. It comes incidentally; it is welcome, and it helps further development. Even the little knowledge that I have of industries, through my sons, shows me that they are always putting capital into the business, not taking it out for their pockets or dissipating it, but using it for the purpose of developing their business, employing more people and turning out a larger output. Those are the things for which they can feel enthusiasm. That is the natural stimulus of their work; and they aim also at improving the conditions of labor.

The interest of the worker should be kept in mind. By the best employers it is kept in mind; for after all, what are we working for?—the improvement of human life—and the workers are part of the living population of the country. We know how willing they are to volunteer in case of danger, to save each other from the accidents which may come in their way. They respond nobly when called on for rescue work in mining and in shipping, and for voluntary sacrifice in war. Human beings are not always quite reasonable. They may get misled by certain agitators, but they are sound at the core, and when the call comes they respond.

A study of the conditions of labor on scientific lines is being taken in hand. All that work of Dr. C. S. Myers is most valuable; the study, for instance, of conditions of fatigue. Some workmen think they are going to be speeded up, but that is not so. They are going to be under fairer conditions, and not be overstrained, and will have some elasticity and leisure thereafter for themselves.

Mr. Hirst spoke of pure science. I think he said that pure science by itself was not much use unless it was applied. I might put it differently. We all hope that it is to be applied, of course. We agree really, but we have to work at pure science without any eye to application. We have not eyes at the back

of our heads. We have to look forward and concentrate on the work in hand, and leave to others as a rule the applications. The applications will come, and we need not be afraid of that, but we do not put the applications first; the applications are often taken up by others. Indeed, that is my theme. But experiment is necessary, and Mr. Hirst rightly said the Government cannot experiment. I do not think the Government can experiment, though really I do not know what a Government can do. But I find that if a Government is asked to support an experiment, it usually wants you to guarantee the result. You cannot guarantee the result. It is not an experiment if you can guarantee the result. So if private enterprise is willing to provide funds to have experiments made, then more power to its elbow. We must take a risk; if it is sometimes called gambling; not gambling in a bad sense, but taking a risk, acting in faith. That is the motive power of life; and, depend upon it, in the long run it will be justified.

Now the importance of pure science to industry can hardly be overestimated. Every fundamental discovery involving real novelty is bound to take its origin in a study or laboratory devoted to pure science without any immediate regard to practical applications. When engaged in a novel investigation of any kind no one can have sufficient foresight to realize what applications may possibly follow; and if too early attention is given to applications, ideas are switched from their proper direction, progress is impeded, and the result probably not attained.

After a discovery has been made there are any number of adaptations and alterations and improvements and developments which are required from those who seek to apply it in practice. There is a great deal of difference between a laboratory experiment and an industrial output. The work of the organizer and manufacturer is by no means to be lightly esteemed. There are a great number of alterations, improvements and developments by those who seek to apply it in practice. These may be due to the original discoverer, but they are usually found to emanate from others, people who have a keener eye and more experience concerning a likely practical outcome. Something of the skill of the engineer is usually required, super-

added to that of the physicist; or something of the skill and experience of an agriculturist superadded to that of the biologist; or the skill and experience of the surgeon or physician superadded to that of the bacteriologist.

The magnificent researches of Pasteur were begun entirely from the point of view of pure science; and it would have been impossible for anyone to foresee, in his right- and left-handed crystals of racemic acid and tartaric acid, anything of the tremendous practical outcome. At first the interest seemed purely optical. But the application, first to fermentation and then to disease, was made in an exceptional manner by the remarkable powers of Pasteur himself; though many physicians and other investigators took up the work, and the application to surgery was, as all the world knows, made by Lister, with later improvements introduced by Sir Almroth Wright and other laboratory investigators.

Again, the discoveries in heredity and cross-breeding, made by Mendel and others, received their practical outcome and application to agriculture through the practical schools at Cambridge and Rothamsted; and, except that I am followed by Sir Daniel Hall, I would have tried to say something about the great and beneficent advances made by Biffen on wheat, but to continue that subject in Sir Daniel Hall's presence would be absurd.

Similarly, if I had not been preceded by Mr. Hirst, I should have called attention to the remarkable staff and equipment for purely scientific research which the wisdom of that great corporation endows and maintains, in a way which roused Sir J. J. Thomson's admiration during his visit to America, and which is also illustrated in this country too.

I will therefore confine myself to illustrating a few of the developments, some on a large, some on a smaller scale, of subjects which took their origin within my own memory, and with which I was rather closely connected; my object being to show how things began, with the object of showing how perfectly pure science branched out into unexpected directions and with a magnitude which is quite surprising.

The discovery of electric waves, which now spread intelligence and human speech broadcast over the earth, took its rise

in a mathematical investigation by Clerk-Maxwell more than half a century ago. The interest seemed purely scientific; in fact it aroused no public attention—that is not unusual; one would have difficulty in reading Maxwell's papers to-day—though they strongly excited the admiration and enthusiasm of a few students, of whom I was one. It took twenty years to bring these waves out of mathematical formulæ into the realization of fact; and they owe their production chiefly to the remarkable experimental researches of Hertz in pure science; when he was a young professor at Carlsruhe. At first, in that case also, the interest seemed mainly optical and electrical. A few, like David Hughes and Sir William Crookes, and later, Alexander Muirhead, conceived their application to telegraphy. But it remained for the industry and skill and initiative and practical common sense of Mr. Marconi to unify the various discoveries and really apply them on the large scale to the transmission of news.

The researches of Edison and Fleming and Richardson and others, which converted wireless telegraphy into wireless telephony, seemed at first to be concerned only with phenomena in vacuum tubes; but nowadays these valves are in the hands of every wireless amateur—a surprising outcome in so short a time. Even the improvement introduced by tuning, which made selective telegraph possible, was the outcome of mathematical studies by Lord Kelvin, so long ago as 1853, of the combined effect of inductance and capacity and of the Leyden jar oscillations which could be thereby produced. No one then thought of "wave-length" in connection with such oscillations; no one imagined that these oscillations would emit waves. That was reserved for FitzGerald at a later date, and to those, including myself, who followed up the hint which he gave. But even so, it was difficult to see how these waves could be detected, for we have no sense organ for their appreciation and no instruments known at that time were able to respond—although one gets letters from extra-sensitive people saying that their health is being ruined by the wireless waves.

Then take another case. The discoveries of Faraday were all made in the laboratory, and the first magneto-electric machine—forerunner of the dynamo—had a power and produced

results utterly insignificant. So that indeed a member of the Royal Institution, after a demonstration by Faraday of a spark obtained from a magnet, asked what on earth was the use of it. And a dignitary of the Church is said to have regretted the discovery on the ground that it put a fresh weapon in the hands of the incendiaries, who were burning ricks about that time. But yet in that apparently small discovery (though it never seemed small to a physicist) lay the germ of all the dynamos and telephones and the great power transmissions of the present day, including electric railways.

To take a much smaller instance:—About the years 1883 and 1884 I began the investigation of the dark space above hot bodies, to which Tyndall had called attention. A red-hot poker or a spirit lamp held in the beam of a searchlight is seen to give off apparent clouds of smoke. You see black streams streaming in the illuminated beam coming from this red-hot poker. It is not smoke, and Tyndall showed it was not really smoke, but it is a dust-free space. For some reason or other the dust is excluded from the hot air that arises from it. It is not burned up, though Tyndall thought so, but excluded for some rather obscure reason, and this free empty space you cannot see. When you see a sunbeam coming in through a window people say that you see the light by reason of the dust. The fact is you see the dust by reason of the light, and if the dust is not there there is nothing to see. You do not see light at all. You see the objects which emit it, and you certainly do not see light if it does not enter the eye. After Tyndall, Lord Rayleigh began to examine these dust-free spaces; and the whole matter was subjected to a critical and careful examination for many months in my laboratory at Liverpool, using for the most part tobacco smoke in glazed boxes, with rods heated in a metrical manner and examined with a microscope. Incidentally the late Mr. Clark and I, who were working together, proceeded to electrify these rods to see what the effect would be; and we found to our surprise that the whole box was cleared of smoke, very rapidly, and the whole space made dust-free. This curious observation was enlarged and exhibited in the autumn of 1884 to the British Association meeting at Montreal, at which both Lord Kelvin and Lord Rayleigh were present.

It did not at the time seem likely to have any practical applications, but of late years Dr. Cottrell in America, and my sons in England, have applied high-tension electricity to the condensation, on a very large scale, of metallic fume and other smokes produced in smelting and furnace operations. Perhaps the largest scale operation is that to blast-furnace gases, which can be cleared of their potash-containing solid matter before they are either liberated or burnt. The same thing can be done in the smelting of tin and other ores, thus helping to save the fouling of the atmosphere and effecting a large economy in waste material.

So it happens constantly. The most unpromising subject—if only some definite result emerges—can be taken up and applied in ways quite unsuspected; and I have been told that, in the laboratories of the General Electric Company, observations which at first seemed quite futile and merely curious, have turned out occasionally the most profitable of all.

It needs faith for those engaged in great industrial enterprises to divert a portion of their staff and equipment to investigations in pure science; but everyone knows that in Germany this has been done, especially in the subject of chemistry, for a long time and with great success; though unfortunately it has been possible—as it always is—to abuse these beneficent activities and prostitute them to unholy ends.

It remains for me to see if I can suggest any of the applications that might be made of the remarkable new researches into atomic constitution, which we owe to the purely scientific labors of J. J. Thomson, Rutherford, Bohr, and others; and the other great development which has excited surprising popular interest, associated with the name of Einstein and the theory of Relativity. This is not the place to enter into detail, but it is an undoubted fact that there are immense stores of energy locked up in the atoms of matter and in the ether of space, and it seems to me quite unlikely that fifty years will elapse before some of this energy is tapped and applied to practical purposes. Of course we are really using it, as we use all the forces of Nature, without knowing what we are doing, every day of our lives; but it is not yet under control; we use it indirectly, therefore, mainly only in the form of sunshine, but also in com-

bustion and chemical action generally. But there may be physical methods of getting it too; and the amount is so vast that if we could get at only one per cent of it we should have a source of power which would put all others into the shade.

Whether the energy of the atom will be tapped first, or the energy of the ether, or whether we shall find that intrinsically they are one and the same in different forms, no one can say at present. But if I allow myself a Wells-like speculation, I can conceive the aeroplane and the steamship and the locomotive of the future as propelled rather like a rocket, by the reaction from a small quantity of material ejected from the tail at an immensely high speed, a speed far beyond that at which gases are expelled, even by the most powerful explosives. And I imagine that the propulsion will go on, quietly and without disturbance, because the ether is so massive a substance that, if we could find some mode of getting hold of it—as we already to some extent do in magnetism—masses of ordinary matter could be propelled with greater ease, at a speed beyond anything as yet attained. This may seem rash speculation, but I take this opportunity of putting it on record, because there is a great deal more to be said about it, in the proper time and place, and because if it is ever achieved it will be the result of some of the most unpractical and weird and ultra-microscopic investigations which have ever roused the curiosity and ingenuity and puzzled enthusiasm of man.

NICHOLAS LONGWORTH

LEGISLATING FOR A REPUBLIC

The Honorable Nicholas Longworth was born in Cincinnati in 1869, graduated A. B. at Harvard in 1891, was admitted to the Bar in 1894. He was a member of Congress from 1903 to 1913 and again in 1915 and was elected speaker of the House of Representatives in 1925. The following speech discusses the relation of the National Government and the Congress to business. It was delivered at the annual banquet at the Convention of the National Association of Manufacturers of the United States in St. Louis, October, 1925.

MR. TOASTMASTER, LADIES AND GENTLEMEN: Notwithstanding your very kind applause, I realize that I rise to my feet facing a hostile audience. You have been deprived of your ice cream, of which, I am the unwilling cause, and my only excuse is that I must leave to-night, in order to be home to coöperate with the Judicial Department. The Chief Justice of the United States is to dedicate to-morrow morning a new building at the University of Cincinnati. It is important these days that there should be coöperation between the branches of the Government. That is, therefore, my excuse for having deprived you of your ice cream and coffee, but the liberal Chairman, I understand, is going to deliver a "freezer" at the conclusion of this meeting to each one of you.

This is a very inspiring occasion. I appreciate the great honor that is done me in inviting me to speak to you to-night. I am particularly glad that this meeting, the first I have attended of the National Manufacturers' Association, should be at St. Louis, in order that I might refer to the last telegram read to you by your President, from one of my best friends. I am proud to know that a college mate, for we were together at Harvard, a citizen of St. Louis, has risen to great position.

There is scarcely any office in this country, which has such great responsibility as the Secretary of War, and it is more than the personal friendship I have for him, that I rejoice in the appointment of Dwight Davis, because, I believe, knowing his record, that he is the very best man that could have been chosen for that position.

Marvel of History

I rejoice to meet and see about me men representative of one of the major forces—creative industry—that have made America what it is to-day, the great super-dominant nation of the world. Our material progress, following as it has a long and devastating civil war, is one of the marvels of the history of the nations.

A half century is, relatively, a short time. It very nearly measures my span of life upon this planet; yet, I deny myself any feeling of exceeding maturity. Measured in the period of the world's development, it is almost pitifully insignificant, hardly a flyspeck upon the pages of history; yet, it is the period during which America has grown from a country comparatively unimportant in wealth or commerce, an almost negligible factor in world influence, to the richest, happiest, most prosperous, most dominantly influential nation among the nations, in this or any other time in the world's history.

During not far from half of this period I have been a member of the Congress of the United States. I am proud of the part I have had, small though it might be, in legislating for the upbuilding of American industry which has so greatly contributed to the growth and prestige of the nation. I rejoice, therefore, in the great honor that has come to me in that I shall be shortly elevated to a position high in power and influence. But my pride, legitimate, I think, is tempered by the solemnity of my resolve that such power and influence that I may possess will be ever exercised in the direction of further progress. I am deeply resolved that, in so far as I may be able to prevent it, no backward step shall be taken, on the one hand, by way of legislation calculated to throttle or impede the progressive de-

velopment of American industry; or, in the other, in the destruction of any of the constitutional safeguards upon which our industrial and social fabrics are based.

I shall not undertake to define, in this presence, in what proportion our marvelous industrial development is to be accredited: on the one hand, to the individual American genius, energy and capacity; or, on the other, to wise national legislative policies. In the essence of things they must go hand in hand; neither one could produce the beneficent result without the aid of the other.

May I suggest, with no thought of partisan bias, that throughout the post Civil War period of industrial expansion, with the exception of a very few years, laws have been on the statute books designed specifically to give preference and encouragement to American industries over the industries of other countries, and a legislative policy has been in force during much the larger portion of this period which recognizes the desirability, if not the inherent right, of the American producer to compete advantageously, at least, in the American home market with the producers of other nations; a policy which recognizes the basic fact that the labor cost of producing practically anything in the United States, due to high wages and superior living conditions, is far higher than among any of our foreign competitors. Recognizing that fact, it accepts the inevitable conclusion that under these conditions the great majority of American industries cannot compete in the American market, preserving at the same time the American wage scale, unless some legislative barriers are interposed against the wholesale entrance of the more cheaply made products of foreign competitors.

The difficulties of crystallizing this policy, satisfactorily, into law are supreme, I might almost say superhuman. I have been in a position, I think, to apprehend these difficulties more thoroughly than most of you. For eighteen years, I was a member of the committee which, under the constitution, originates all legislation touching the revenues of the Government; a committee which has written, in the original instance, all the tariff and taxation laws that have been passed in the last quarter of a century. When I retired from the Ways and Means Com-

mittee, upon my election as Majority Leader of the last Congress, I confess I heaved a sigh of relief. That I shall be even further separated from the hurly-burly of the actual framing of these laws, as speaker of the next House of Representatives is an even more agreeable thought.

Tariff Criticisms Inevitable

So much of geography and climatic conditions, so much of human nature, so much of the thousand and one overlapping and conflicting interests come into it, that no tariff law, or law touching taxation, has ever or ever can be passed in this country which will not be attacked and criticized, often quite legitimately, and its makers taken to task.

With my past experience, with all these conditions in mind, I do not hesitate to affirm that the existing tariff law is working most satisfactorily, that the customs barriers erected by it are in the main sufficient to permit American competition at home and in the markets of the world is evidenced by the ever increasing growth and prosperity of American industry. That they are not in the main too high to prohibit the importation of things we need, is evidenced by the enormous revenue now received at the customs houses, approximately $600,000,000 a year, nearly twice as much as we have ever received under any tariff law. The magnitude of this sum can be well illustrated by the fact that it would of itself have paid about two-thirds of the entire cost of running the Government of the United States when I first came to Congress.

In the principle on which the present law and most of the tariff laws passed during the post Civil War period are based, I am a firm believer. This principle will not be abandoned so long as I am a speaker of the House of Representatives. Lest I be accused of egotism, I might say that the same thing would hold true of any Congress, whoever its presiding officer might be, if controlled by the great party which has for the time being honored me, acting as it now is under the mandate of a majority of the American people.

Why do I say that my party is now acting, and prepared to

act, under a popular mandate? It is because in our last national convention we pledged ourselves to see to it that certain definite things should be done, and certain definite things should be left undone, among the latter being anything leading to the derogation of the power and dignity of our courts, or the destruction of any of the constitutional safeguards bequeathed to us by our fathers. The issues were made clear and definite, and upon them our candidate for president was elected by a popular majority of more than seven million, and with him a large majority in the House, and a lesser, but a safe majority in the Senate. For at least two more years we are in full control of the National Government. It is a heavy responsibility, but we accept it. That we shall not fail in our trust, I am entirely confident. If we do, we deserve to be deprived of power, and the people will have their opportunity at the next Congressional election.

Party Government Desirable

I use this as an illustration of our system of government, which differs essentially from that of any of the other great powers of the world. In so far as the Federal Government is concerned, it always has been, in the long run, is now, and always ought to be, a government by one of two major political parties. Theorize as we may, cite the example of other nations, if we please, the hard fact remains that this country can be satisfactorily governed in no other way. Our Constitution provides that the Executive and Legislative branches of the Government shall be absolutely separate and apart, and that our responsible officials shall be elected for definite terms: the President every four years, the House every two years, and one-third of the Senate every two years. It is this definiteness of term that makes for stability and fixes responsibility, and affords the remedy if the people desire a change. In all other leading countries, monarchies, or republics, while the term of some officials is definitely fixed, the term of actual governmental responsibility is not. It rests in the hands of a ministry, which far from being separated from the legislative branch, actually functions

within it, is dependent for its existence upon the continued support of a parliamentary majority, and can be thrown out of office at any time by a vote of no confidence. This, to my mind, is the negation of stability. This instability is further aggravated by the fact that in all European Parliaments that I know of, there are a large number of political parties, many of them representing, frankly, not all, but only a certain class of their constituents.

I spent a good deal of time this summer viewing proceedings of the French Chamber of Deputies, the German Reichstag, and the British House of Commons. These conditions vary somewhat, but essentially they are the same. Let me take the French Chamber for example. There, there are at least twelve political parties, each with its leaders and its organization, varying through all gradations of political opinion, from the Royalists on the one side, to the Communists on the other. The Ministry, seated on the floor, must be able at all times to placate enough of these parties, of widely divergent views, to secure a majority vote on every governmental measure, or be thrown out of office at once. No matter what the views of the Premier may be, and he, for the time being, is the ruler of France, he must be prepared at any moment to modify or reverse them to meet the demands of the various party leaders, otherwise he falls. There is another thing that militates against stability. Every ambitious member of the Chamber of Deputies wants, at some time or other, to be a member of the Ministry; their rewards are great. Plainly, he cannot be, so long as the existing government remains in office. His temptation, therefore, and it usually proves irresistible, is not to support his government, but to harass and embarrass it on every possible occasion. As a consequence, a session of the Chamber of Deputies is always disorderly, and often riotous. What follows inevitably? Legislation, instead of being the result of deliberate and calm debate becomes a matter of bluster, trade and barter. The government, if it fails to make the necessary trades, falls overnight, and it is succeeded by another, which may not, and in all probability does not, represent the will of the national electorate.

In this system you see the practical working out of bloc or group government. These results will follow, to a more or less

extent, wherever government is not conducted by a responsible majority. I do not like this system. I like stability and responsibility. I like to see legislation as the product of calm, dispassionate, deliberate debate, not as the result of bluster and back-alley trading among groups. Bloc government may work abroad, though I know many statesmen there who envy us our system, but it will not work in this country, under the Constitution of the United States.

Blocs in Congress

We had a taste of bloc government in the last Congress. In the House there was organized a bloc, under Wisconsin leadership, which was sufficiently large, in combination with the minority party, to overthrow the majority, as it occasionally did. Normally, they were Republicans, they were elected as Republicans, and as such many of them had high positions upon the most important committees of the House; but their power, such as it was, was used not for, but against, the interest of the Republican party. They demanded and received certain concessions before they would permit the organization of the House or the adoption of the rules of procedure. As a matter of fact, though, these concessions were of little importance, certainly far less than they thought, as events proved. If these concessions had not been made, however, it would have been impossible for the House to do business at all. In other words, the Majority Leadership had to deal with this bloc just as do the Premiers of countries in which the bloc system prevails.

These gentlemen showed their true colors in the last election. They repudiated the Republican platform; they had a Presidential candidate of their own; they opposed the election of President Coolidge even more vigorously than they did that of Mr. Davis. While they had no hope of electing their candidate, they avowedly hoped to elect a group in Congress sufficiently large, as one of their leaders said in the campaign, "To hamstring the administration of President Coolidge." At the election, the people repudiated this sort of thing by a huge

majority, but owing to peculiar conditions in their states, these gentlemen were returned to Congress.

They have asked—notwithstanding their bitter opposition in the last election—to be treated as members of the Republican Party, and to hold their positions on committees. The Republican Party has a substantial majority with or without them. Ought we to have acceded to their request? To my mind, such a course would have been a deliberate violation of the mandate imposed upon the electorate. By that mandate, we are instructed to do certain things which these gentlemen are opposed to, and to strongly resist certain things which they demand. We had to meet the situation, and we have met it by excluding them from participation in our party counsels and from representation on the important key committees. We have no ill will towards them; what we have done was not in any sense by way of punishment. We have left the door open for their return to our party, and will welcome them back on their return; but until they do so, we propose to proceed according to the American system of responsible majority party government.

I can speak, of course, with any degree of authority for the House of Representatives only, yet I venture the prediction that the incoming Congress will prove to be one of the most efficent mediums for the translation of the popular will into legislation in many years. In the House, we have already completed our organization for all practical purposes. We did so nearly ten months in advance, in order that there might be no delay in getting down to work. We have chosen all our officers, and have organized the three committees dealing with the matters of the most vital importance: The Revenue, Appropriations, and Transportation. These are all now functioning or prepared to function. The majority on the floor will be large and cohesive, united firmly on all questions of basic principle. Our relations with the Executive will be of the most cordial sort. In this instance, too, we are as a unit on questions of basic principle and policy, including rigid economy and immediate tax reduction and reform.

We are firmly resolved upon the maintenance of the independence of the Congress and will submit to no dictation from

outside sources, whether it comes from other branches of the Government or organized groups representing interested or vocal minorities of any kind or sort. This I can tell you, that the professional lobbyist will not be *persona grata* in the Speaker's office. Of course, we shall welcome advice and cooperation from groups of men interested, like you, in the upbuilding of your industries, in the acceleration of the march of progress in the nation. We shall welcome the advice and cooperation of men interested in agriculture and proficient in its science, just as we shall welcome men and women interested in the welfare of the workers in all forms of industry.

We shall particularly welcome, of course, the advice and cooperation of the President of the United States, and of his great Secretary of the Treasury, and of the other members of his Cabinet and great department heads. We recognize in President Coolidge a patriot, a statesman of profound wisdom, and a man of the most impeccable purity of character and purpose. We think of him as the right man in the right place, and, if I might be permitted to use a colloquialism, we think that he is "a square peg in a square hole," and that he just about fits it.

One thing more, in his program, which is ours, of rigid economy in the expenditures of this government; in his program, which is ours, of immediate tax reduction and tax reform, we are going along together, and my parting word is—I scarcely dare to promise it, but it is my great hope—that before next Christmas, the House of Representatives will have passed (and it will have been the first time in the history of the United States) a tax reduction bill before the Christmas holidays.

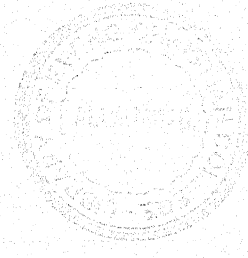
Rules Are Adequate

Just a word, in closing, about the body over which I have been called upon to preside for the next two years. I love the House of Representatives as I love no other American institution. To be its presiding officer might well satisfy the most lofty ambition of any man, for it is one of the great governmental positions of the world. The friendships that I have contracted there will endure forever, and they include equally men

of my own party and men who are our bitterest political opponents.

Much has been said about the necessity of reform in the rules of both branches of Congress. Long experience has satisfied me that, in their essentials, the rules of the House of Representatives cannot be improved upon. We can and do transact business there, when necessary, with celerity and dispatch. We have majority rule there at all times. It is true that we talk a good deal, but most of the time we talk about the measures that we have before us. I can think of another body that talks even more than we do, and most of the time talks about things which have no possible relation to the measures before it. If that body would follow our system in this respect, I think it would not be necessary to conduct a national campaign for a change in its rules.

The House of Representatives comes nearer reflecting at all times the popular will than does any other individual or body in this or any other country, and so long as it shall merit and receive the confidence of the people, there can be no real danger to the Republic we love.



SETH LOW

THE CHAMBER OF COMMERCE

Speech of Seth Low at the 112th annual banquet of the Chamber of Commerce of the State of New York, May 11, 1880. George W. Lane, the second vice-president of the Chamber, presided, and called upon Mr. Low to respond to the tenth regular toast: "The Chamber of Commerce of the State of New York—its Past, Present, and Future."

MR. CHAIRMAN AND GENTLEMEN OF THE CHAMBER OF COMMERCE:—If the historian wished to convey to your minds some idea of the antiquity of this Chamber, he would scarcely do it, I think, by saying it was founded in 1768. So few besides the reporters would personally recollect those times. He would rather tell you that it dates back to an epoch when each absentee from the annual dinner was fined five shillings sterling for the offense. Think of that! How eloquently it seems to tell us that there was no Delmonico in those days. I can understand how a people that punished such a slight to commerce in such a way, would rebel at stamp acts and other burdens of the sort. The Revolution itself seems to get a new interpretation from this early custom of the Chamber. [Laughter.]

But, perhaps, a better way of making vivid to this generation the age of this body, would be to say that it dates back to a time when New York actually had a foreign commerce of its own, carried on chiefly under the American flag. It sounds like a fairy tale to one who counts the ensigns in our harbor now, to be told that tradition speaks of a day when the Stars and Stripes floated over a larger fleet of common carriers on the highways of the world—at least, so far as American business was concerned—than even that omnipresent banner of St. George. Strange, is it not, that a nation which surpasses

all others in its use of machinery on the land, should have been content to yield up the sea, almost without a struggle, to the steamships of the older world? Events over which we have no control have had much to do with it, I know; but is a single misused subsidy to keep us off the sea forever, or so long as the dominion of the steamship lasts? Are we to wait until England can build our steamers for us, and hear her say, as we run up the Stars and Stripes to the mast-head of the ship which she has built: "See, Brother Jonathon, how cheap these subsidies which I have given all these years enable me now to build for you!" It may be we must wait for this, but let us hope for a happier consummation. Nevertheless, Mr. Chairman, this Chamber does date back to the time when we had a commerce of our own. [Applause.]

In glancing over our old records, it is interesting to see what a perennial source of discussion in this body have been the pilots of the port. They have been mentioned, I think, even the past year. The first formal reference to the pilots appears in 1791, and the minutes ever since teem with memorials, protests, bills, measures, conferences and the like.

A story is told of a Chinese pilot, who boarded the vessel of a captain who had never been on the China coast before, and who asked the captain one hundred dollars for his fee. The captain demurred, and the discussion waxed warm, until the white head of an old China merchant appeared in the companion-way, and caught the pilot's eye, when he cut the dispute short by crying out: "Hi-ya! G'long olo Foxee! ten dollar can do!" [Laughter and applause.]

I apprehend there is much wisdom in this appeal. In the olden days, the complaint against our pilotage system was not only that it was costly, but that it was inefficient; and so even more costly in the losses of vessels and cargoes than in fees. But, after half a century of contest, the present system was reached in 1853, and it is, beyond dispute, acknowledged by underwriters and by merchants that, as a system, it has worked well—uncommonly well. If, therefore, the present dispute between the merchants and the pilots be, as I understand that it is, in all its vital points a dispute as to fees, I recommend to the merchants and to the pilots the Chinese method of

adjustment—by compromise. Do not let us expose to the hazard of legislative interference a system which is not likely to be bettered, and which gives us certainly efficient pilotage, because we cannot all at once get by compromise a reduction in our favor quite equal to what we think our due. [Applause.]

But what can I say, Mr. Chairman, of the Chamber of to-day? The subject is full, very full, of interest and of other good things. "May good digestion wait on appetite, and health on both." It is curious to see, all along the history of the Chamber, how coming events have cast their shadows before. In 1837 the Chamber petitioned Congress to improve the navigation at Hell Gate; in 1846 they approved a report suggesting as feasible a railroad across the continent to the Pacific; and in 1852 they asked Congress to remove the mint from Philadelphia, intimating pretty plainly that Philadelphia was too insignificant a place to enjoy so great a luxury. The first two achievements have been accomplished. The mint is almost due in Wall Street. Let Philadelphia hear and tremble. [Applause.]

When I think, Mr. Chairman, of the influence the Chamber wields, and of the influence it ought to wield, it seems to me one thing of all others should be avoided. The Chamber ought never to be put upon record in an important matter until full discussion upon fair notice has preceded action, whenever this is possible. Sometimes I have thought the action of the Chamber was somewhat the result of chance, even with reference to questions of great importance. If the Chamber is to continue free, as in the main it has been free, from being used for personal ends, and at the same time is to exert an influence at all commensurate with its power as a representative of commercial New York, the action of the Chamber ought to be the result of intelligent discussion. I would only suggest one definite thing. Why might not the notice of each monthly meeting state the items of unfinished business that may come up, and also give notice, so far as possible, of the matters to be submitted by the Executive Committee? The attendance at our meetings would be better, I am sure, if men knew when matters of interest to them were to be discussed.

Glancing toward our future, I seem to see the day when Judge Fancher shall sit in a telephone exchange and receive his testimony in ghastly whispers from unseen mouths; when the president of the Chamber shall take the ayes and nays of a meeting whose component parts are sitting in a thousand counting rooms in this city. But I never can seem to see the day when the annual dinner can be conducted by the members except face to face. At all events, we can wait till Edison perfects the electric light, before asking him to make a dinner available with Delmonico fifteen miles away. [Laughter and cheers.]

In 1861 the Pacific Mail Steamship Line was petitioned for, or, at least, a mail line on the Pacific, between the United States and the Orient world, and that, while the nation was engaged in a mighty struggle for its life. The Pacific Mail Line to the East, the Pacific Railroad across the continent, the superb government buildings at Washington—all constructed, in whole or in part, while the nation seemed to be strained to its utmost by the demands of a civil war—these things are to me among the mightiest evidences of the faith of the men of those days who, while the present seemed to be surcharged with duties and burdens for their hands, still laid hold upon the future with such powerful grasp. Are we, of the Chamber of Commerce, worthy of the blessings that have come down to us out of the glorious past? If we wish to be, we must live partly for the future as did our predecessors.

We need a building of our own, commodious, and in some way proportioned to the great interests we represent. We need a fire-proof building for the safe-keeping of our records. Once already in our history our seal has been returned to us from an obscure shop in London. Our Charter was rescued from an old trunk in the Walton house on Pearl Street, and our historic paintings were only discovered after long loss, as the result of the fire of 1835. The Chamber of Commerce is standing now at the door of Congress, and asks them to sell at public auction the site of the old Post Office, for not less than three hundred thousand dollars and to pay to the Chamber from the proceeds of the sale the sum of fifty thousand dollars, originally subscribed, in the main, by members of the Chamber

when that site was purchased from the General Government a few years ago. It is the purpose of the Chamber to buy this plot, and to build there a building worthy of itself and of this great city. [Applause.] But so far we ask in vain.

The house Committee of Ways and Means has reported our bill favorably, but Congress does nothing. The Chamber wants this plot, not so much because of the fifty thousand dollars it has of *quasi* interest in it, but because of its eligibility. The Chamber believes it deserves well of this community and of the nation, and so believing, it asks of Congress the passage of this bill.

I look back over the past twenty years, and I find the Chamber of Commerce has been always alive to encourage gallantry, to reward conspicuous service, and to relieve distress. Eighteen hundred thousand dollars—almost two millions of dollars—has been given by this Chamber in these twenty years.

The money has not all come from members of the Chamber, but the Chamber has always been recognized as the fitting leader and minister in this city in deeds of public spirit. [Cheers.]

In 1858 it celebrated the completion of the first Atlantic cable, by giving medals of gold, with generous impartiality, to the officers of the British ship *Agamemnon* and the American ship *Niagara* alike. And in 1866 it feasted the distinguished and persevering American citizen whose pluck and courage, with reference to this cable, no disaster and no faintheartedness anywhere could dismay.

In 1861, in token of gratitude and of patriotic admiration, the Chamber placed a medal of bronze upon the breast of every officer and private who sustained the national honor in the defense of Fort Sumter and Fort Pickens.

In 1862 it sprang to the relief of famished Lancashire; in 1865 our own sufferers in East Tennessee and in Savannah partook of its bounty; and in 1871 the bread cast upon the waters by Rochambeau and Lafayette, a hundred years before, returned through the ministry of the Chamber in an abundant harvest to the war-stricken plains of unhappy France.

In 1865 the Chamber honored itself by giving testimonials to the officers and the crew of the *Kearsarge*.

In 1866 it presented to the widow of a Southern officer in the United States Navy several historic swords, sending with them a purse, "in recognition of the valuable services rendered to our country by the father and son, and as a token that gratitude for fidelity to the flag of the Union is an abiding sentiment with the citizens of New York, descending from generation to generation."

The cities of Troy, Portland, Richmond, Chicago, three of them when swept by fire, and Richmond when cast into gloom by the fall of the State Capitol, all in turn have realized, through the prompt action of the Chamber, the large brotherliness of commercial New York.

And, finally, in 1876, at Savannah, and in 1878, through the whole southwestern district of the country, and again in 1879 at Memphis, the contributions made through the Chamber of Commerce gave substantial relief to the distressed victims of yellow fever. Thus has the Chamber contributed to promote a union of hearts throughout the broad expanse of this great Union of States. Thus has the Chamber done what it could to show that the spirit of commerce is a large and a liberal spirit, too large to be bounded by the lines that divide nations. Thus has the Chamber shown itself not unworthy of the Empire State of the New World. May the future of the Chamber be in every respect worthy of the past. [Loud applause.]

EDITH McCLURE PATTERSON

HOW WOMEN REGARD ADVERTISING

The growing importance of women in business is well indicated by the career of Mrs. Edith McClure-Patterson. She was born in Ohio in 1883, educated at the Boston School of Social Service, the University of Chicago, and at Teachers College, Columbia University. She was married to John Johnston Patterson of Dayton, Ohio, in 1906. She has traveled over the United States studying schools and lecturing and was employed in making a survey of continuation schools in Great Britain and on the continent. She has been prominent in women's clubs and civic organizations and is budget specialist for the General Federation of Women's Clubs. The following address was delivered in 1925.

No business man to-day overlooks the importance of the woman buyer, because she is the ultimate consumer, she pays the bill. She is buying 87 per cent of the merchandise that is going out of the retail stores to-day; 92 per cent of the groceries are bought by women. Right in this buying is where her problem and the advertising problem meet because, if the purpose of advertising is, first, to create desirability; second, necessity in the minds of readers; that too is precisely what the American customer, the American woman buyer wants. She wants to know about goods, she wants to know with greater understanding about the merchandise that she is buying, and she wants to keep it sold just as much as the merchants want to keep it sold, because her time and her energy and her efforts in taking misrepresented things back are expensive to her.

Honest, dependable advertising in terms that she can understand is what is going to solve that problem.

But this buying job is a new occupation to us women. Our colonial women had here and there sprinkled about a professional business woman, but on the whole the woman of to-day

has had but little experience and little training in this new occupation. Why, just a generation ago Pa took the butter and eggs along with the hogs and corn to market. He exchanged them for yard goods and staple groceries and brought them back to Ma instead of money. To-day, owing to the industrial revolution, Pa works in the store and Ma takes the money from his pay envelope and spends it for the necessities of life, sometimes too much for the luxuries of life.

Women are indeed earnest about this thing, this new occupation of buying. You may be surprised to know that all over the country there are women in study classes, in their club work, who are having the men of their communities, the specialists, the business men, come in and talk to them about their particular type of business, what part she as a buyer plays in that business. They are mightily interested, for the truth of the situation is that the buying power of the dollar is just three times more than it was in Civil War days, but we are not buying three times as much health, happiness, and prosperity with our money.

Women distrust advertisements just a little because of past unpleasant experiences. For instance, one experience where a thing is marked pure, and she discovers that the word "bunk" should have been after it, stays in her mind. When she has bought something labeled "fast color" and she found that the material could not keep up with it because it ran so fast, she does not forget it. She has been stung about as many times in one place as she is going to be stung. She is going to know the truth.

There have been food and dairy commissions all over the country. They have done an enormously important piece of work in assuring the honesty of the contents of packages.

The good that advertising has made toward national health, comfort, safety, and buyer content of our better magazines simply cannot be estimated. Do not stop. Keep on. But now, remember, be sure in all of this that you are giving the women 100 per cent value, because we are a little smarter than we were a little while ago, and we are going to trip you up.

Women of this country want advertising men to establish Better Business Bureaus all over this broad land of ours. Noth-

ing can do the work for the ultimate woman consumer like these Bureaus such as now are in existence in only too few of our large cities.

I don't want for a moment to underestimate the value of national advertising, but advertisers must clearly appreciate the confidence the woman buyer feels in her local merchant. She probably knows him personally. She knows how far she can trust him. If she does not trust him she does not go to him. If he says the thing is right she believes him, and that settles it. It would not make a hundredth of the impression upon her to see some foreign name or some person in whom she has no interest say exactly the very same thing, or probably better; she wants facts, dependable information, from trustworthy sources.

If Siebert is right, and there is only 20 per cent of truth and knowledge and 80 per cent of ignorance in existence, how important is the great national and international service of advertising. Why, the women of the world are going to school to you men. Will you take the challenge? Help us to be better buyers, more intelligent buyers, that we may through our buying raise the standard of the individual home? That is the contribution to the world's progress which seems so evident to me that you may well consider. Will you give us Better Business Bureaus? Will you give us better educational, honest advertising, that the women may direct better and happier homes?

REGINALD M'KENNA

ECONOMIC ASPECTS OF WORLD DEBTS

The Right Honorable Reginald M'Kenna has been Chairman of the London Joint City and Midland Bank since 1919, a position of greatest responsibility and influence in the financial world. He was born in London in 1863 and at Cambridge was famous both as an oarsman and as a mathematician. In Parliament he rapidly attained a prominent position. He became Financial Secretary of the Treasury in 1905 and was successively President of the Board of Education, First Lord of the Admiralty, Home Secretary, and Chancellor of the Exchequer. No man is better qualified by ability and experience to speak of the extraordinary situation created by the huge world debts. This address is an admirable example of clear exposition—a model of business eloquence. It was given before the Convention of the American Bankers' Association in New York City on October 4, 1922.

WHEN I received the honor of your invitation, which I greatly appreciated, I must confess I had many misgivings. I knew it would not be a light task to address an audience whose collective importance in the world of finance is unrivalled. I remembered, however, the cordial friendship which has always existed between American and British bankers, and as I realized that your invitation was a further evidence of this friendship my hesitation gave way and I gladly decided to come.

Let me begin with an explanation of my choice of subject. I thought at first that some professional topic should be selected, but I soon came across a serious difficulty. There is a much greater difference between the law and practice of banking in America and England than is generally supposed, and I felt that I should be liable to be misunderstood unless this difference were constantly borne in mind. This very meeting will illustrate the point. I understand there are over 30,000 separate banks in the United States, a large number of which are repre-

sented here. In the whole of Great Britain we have only thirty-nine. But with us the branch system is so highly developed that these few banks have no less than 9,650 branches, of which 6,800 belong to five banks alone.

The main distinction is that our banks are regarded by the Legislature as ordinary corporations or companies, while yours are subject to special legislation in regard to nearly all their activities. You have a limit prescribed to the amount of a loan to any one customer. Certain loans are prohibited and others are restricted. Your investments are regulated. You are subject to limitations in incurring contingent liabilities and you are bound to maintain minimum cash reserves. We have none of these restrictions. Alone among deposit banking countries the United States protects depositors, some of the States going so far as to prescribe a system of guarantee.

We differ also in our central bank policy. You have adopted the Federal Reserve system under which there are twelve Federal Reserve Banks in twelve districts. In England we have a single central bank of issue, a joint stock corporation, which deals with private customers as well as with the Government and the banks. Your Federal Reserve notes are issued against gold and self-liquidating commercial paper. Our Bank of England notes are issued against gold only, with a fiduciary issue of £18,450,000.

The principles of sound banking are the same everywhere, but our countries diverge in law and practice. This is natural: British social and political conditions differ so much from yours that the same banking system could hardly be appropriate to both. Perhaps we have each something to learn from the other, but I am sure any hasty attempt to establish a common procedure in the two countries would be unwise. As our development has progressed each nation has adopted itself to its environment, and such changes as we may make in the future must conform to the habits and traditions of our peoples.

With these thoughts in mind I found it very difficult to select a technical banking subject for discussion to-day. However careful I might be I felt that, unless accompanied by much tedious explanation, my language, associated with ideas related to English practice, would be liable to be misunderstood by

you whose associated ideas are so different. I resolved therefore to pass over professional banking topics and to look for a subject of general interest to the business community. What should this be?

In their report to the Reparation Commission the Bankers Committee which sat early this summer in Paris laid stress upon the need to resume normal trade conditions between countries and to stabilize exchanges, and they came to the conclusion that neither of these aims could be accomplished without a definite settlement of the reparation and other international debts. Here then it seemed to me was a subject for my address. There will be general agreement that there is no matter of more deep concern to the world's trade at the present time than reparation payments and international debts, and I trust therefore you will not deem it out of place that I have chosen this subject for discussion to-day.

There are two preliminary observations which I must make. The first is that I speak as a banker expressing my personal views. I have nothing to do with politics and I do not appear here in any representative character. I approach the question solely from the economic point of view and my endeavor is to determine, so far as I can, the limit of the debtors' capacity to pay, and the effect of payment upon the world's trade.

Our duty is to satisfy ourselves on the financial possibilities of the case. It is not what the debtors may justly be called upon to pay but what they are able to pay, which we as business men, anxious to discover the conditions upon which trade prosperity is founded, must consider with the most careful attention.

My second observation is to meet a possible criticism. How can I, a member of a nation which is one of the debtors of the United States, speak freely to an American audience upon international indebtedness? The primary and essential duty of a debtor is to discharge his liability, and, until this is done, all observations on the origin of the debt and on the economic consequences of international payments are liable to be viewed with suspicion. A creditor may, if he like, open up questions of that kind, but a debtor should admit his obligation without further discussion.

I recognize that these are objections which I must answer

and I believe that I can do so conclusively. In the course of my argument I shall show that England has the ability to pay, and, once that is established, I can unhesitatingly assert her determination to honor her bond in full. I believe I am justified in asking you to treat England's debt to the United States as certain to be provided for, and, if this be conceded, we shall be free to consider the question of the remaining international debts as one in which America and England are equally concerned and in which both have the same interest as creditors.

First let us look at the magnitude of these international debts. The greatest of all is that of Germany for reparations, a debt of which the United States declined to receive any share. The amount was not defined by the Treaty of Versailles, but subsequently by the London ultimatum it was put at $32,000,000,000, at which amount it stands nominally to-day. Of the remaining debts the liability of France to the United States and Great Britain is $6,500,000,000, and of Italy to the same two countries, $4,500,000,000.

Russia owes these countries $3,500,000,000 and a further $1,000,000,000 to France. These are the principal debts; the others are all comparatively small in amount. Of the creditors of the European Continental Governments England is the greatest.

We have no record in history of international claims of this magnitude. The indemnity exacted by Germany from France under the Treaty of Frankfort in 1871, in round figures $1,000,000,000, created the largest debt between Governments ever known until the recent war, and is the only precedent we have of a considerable international payment. It is of interest to recall how the liability was discharged. Payment of $150,000,000 was made in gold and silver coin and in German banknotes and currency collected in France and the balance in foreign bills, chiefly German currency bills.

The precise form in which the payment was made is, however, comparatively unimportant. For our present purpose the significant question is how France procured the means of payment. She was bound to acquire German marks or foreign currency exchangeable for marks, and to do so she had either to find German or other foreign buyers for such things as she had

to sell, or to obtain foreign subscriptions to her loans. Very considerable sales were made of foreign securities owned by French nations, the French loans were largely subscribed externally, and the exports of French goods was so much increased that an average excess of imports of $65,000,000 a year in the four years 1868–1871 was converted into an average excess of exports of $46,000,000 a year in the four subsequent years. By September, 1873, the whole indemnity was paid, and although France remained liable for the loans she had issued, she was clear of any direct debt to the German Government, and indeed of all foreign debt payable in any but her own currency.

It is interesting to note the industrial condition of France at that time. Employment was extremely active and production was on a great scale. She had to meet her external liabilities, which compelled her to increase her sales in foreign markets, and she did so notwithstanding the competition of other nations. The improved standard of efficiency in production which was thereby forced upon her endured long after the period of the indemnity.

In Germany, on the other hand, there was a very different experience. The receipt of a large amount of gold and silver had, with other causes then in operation, a serious effect upon German internal prices, which rose rapidly. In 1872 there was a brief trade and financial boom, followed in the ensuing year by a crisis which was the beginning of a period of depression. It would not be correct to say that the trade conditions in Germany were entirely due to the payment of the French indemnity, but undoubtedly it was a contributory cause of material importance.

The comparative prosperity of France and depression in Germany are remarkable and give color to the story that Bismarck, in commenting upon the state of the two countries, declared that the next time he defeated France he would insist on paying an indemnity.

Such is the only precedent we have for the payment of a great international debt. The figures we have to deal with today are on a far larger scale than the indemnity exacted from France fifty years ago, but the problem in all essential particu-

lars is the same. We have to discover the capacity of the debtors to pay and to consider the consequences of payment. As the indemnity demanded from Germany is much the greatest of the debts and is the one most urgently in need of a satisfactory settlement I place it in the front of our discussion.

The first question is, what is Germany's capacity to pay? You are perhaps expecting that I am about to give you an inventory of Germany's natural resources and an estimate of her productive power. All this has been done many times and much industry has been displayed in the inquiry. But what we have to investigate is not Germany's capacity to produce wealth, but her capacity to pay foreign debt. I cannot help thinking that we have here the source of the error into which the Versailles experts seem to have fallen.

Nobody has ever doubted Germany's immense power to produce, but production by itself is not enough. She must find a market for her exports, and the problem thus becames one of determining the possible extension of German export trade. Nor is this the end. We must remember that an increase in her exports will only provide funds for reparations if there is no corresponding increase in imports. Payment for her indispensable imports must be the first charge upon the proceeds of her foreign sales, and it is only the balance, the exportable surplus, which is available for reparations.

In speaking of a nation's exportable surplus we must not forget that other factors may contribute to it besides the balance of exports over imports. Interest received from foreign investments and payment for external services, such as shipping, may be contributory factors. Before the War Germany possessed a very considerable exportable surplus derived from all three sources, but mainly from the interest on her foreign investments which were probably worth not less than $5,500,000,000. As regards the surplus from the sale of her products and payment for services it is safe to say that it never exceeded $100,000,000 a year.

But what is her position to-day? Most of her foreign investments have gone. Some were sold during the War, others have been seized as enemy property by the Governments of the Allied and Associated Powers, and most of what remain have

lost their value as in the case of the Russian investments. Her shipping has been largely confiscated, and she has been deprived of some of her most productive areas—Alsace-Lorraine, the Saar Basin, and the Polish provinces. All the sources whence an exportable surplus might have been drawn have been greatly impaired, if not wholly destroyed. At no time was Germany's exportable surplus sufficient to enable her to make the annual payments demanded under the London ultimatum; it is entirely out of the question that she could do so to-day.

But let us set a little nearer to the problem of Germany's present capacity to pay from the surplus sale of her production. According to a recent statement by the Chancellor of the Exchequer in the House of Commons, she has paid money and delivered property altogether to the value of about $2,000,000,000. Of this amount $1,645,000,000 represented the value of ships, coal, other payments in kind, property in ceded territories, and local payments to armies of occupation. The amount in cash has been only $375,000,000. And yet, with this comparatively small cash payment, observe what has happened. The mark has declined to less than one seventieth of the value it had when the obligation to pay was imposed upon Germany by the Treaty of Versailles. The means of payment has been found by the sale of marks. After this experience it is difficult to believe that Germany has any surplus at the present time from the export of her products.

There is a further consideration in support of this conclusion. It is beyond question that in the last three years Germany has made every effort to develop her external trade. The German workman, whose industry and efficiency are generally admitted, has been fully employed and the factories have been actively at work all over the country. The decline in the mark, which at every stage has been much greater in the external than in the internal value, has afforded a very considerable advantage to the German exporter, so much so indeed that there is hardly anywhere a manufacturer producing goods for export who does not complain of German competition. Nevertheless, the German trade figures show that the exports, long after the immediate deficiency in essential foreign commodities due to the War was made good, are still barely equal to the imports.

The conclusion seems irresistible that Germany has no present capacity to obtain a surplus from the export of goods.

I am not quite sanguine enough to believe that those who think they can extract from Germany enough money to enable them to meet the internal liabilities which they themselves have incurred in restoring devastated areas will be satisfied with the statement I have just made. At the recent reparations conference of the Allied Powers held in London proposals were made of punitive measures to be taken with the object of compelling Germany to make immediate cash payments, a policy which could only have been advanced under the conviction that Germany really could pay. For my part, I do not believe that it is within her power to do so, but let us suppose for a moment that she can. We have then to consider what the effect of this enforced payment would be upon international trade and whether it would be to the advantage either of Germany's creditors as a whole or of the rest of the world.

If Germany could pay what is demanded of her, the only method of obtaining the money would be by increasing her exports. Now, what are these exports to be? She is essentially a manufacturing nation. Her foreign sale of raw materials is comparatively small. On balance she is obliged to import food, and in consequence of the loss of a large part of her mineral lands she is compelled to import both iron ore and coal for the supply of her factories and furnaces.

An increased exportable surplus could only be obtained by extending her sale of manufactured goods. To do this in the teeth of the competition of other manufacturing nations she must work longer hours for less wages, she must cut profits, she must reduce her imports to the indispensable minimum. But her competitors will not consent to stand idle while they lose their trade. They will find themselves faced with growing unemployment and heavy trade losses. So far as German goods seek to invade their own domestic markets they may endeavor to exclude them by tariffs, but in order to retain their hold on neutral markets they, too, will be compelled to reduce wages and cut profits. And thus Germany's effort to extend her foreign trade must be confronted with the opposition of the whole manufacturing interest of the rest of the world and could only

be successfully countered by a general lowering of the standard of life.

I know it is frequently alleged that the collapse of the mark with the accompanying disorganization of the world's trade might have been avoided if the German Government had acted with firmness and good faith. It is said that Germany has intentionally depreciated her currency in order to induce her creditors to abandon their claims. We are told that her people are not adequately taxed and that if they were subject to the burdens borne in some other countries the Government would be able to meet its liabilities.

It is certainly true that in my own country far heavier taxation is levied than in Germany, but I am inclined to think we are overtaxed and that overtaxation so far from fostering can not fail to depress national production. But whether I am right or wrong in that opinion I fail to see how additional taxation can stimulate foreign trade and provide a large exportable surplus. The taxes would be paid in marks, and whether the marks are derived from avowed taxation or from concealed taxation through the use of the printing press, they are in neither case a currency which would be accepted in discharge of foreign liability.

In the actual condition of Germany a foreign sale of marks is an inevitable accompaniment of the payment of reparations. Except by such sale there does not appear to be any practicable method for the Government to obtain the necessary foreign currency other than by exacting it from exporters as a condition of their receiving an export license. But the exporter, who often has external obligations of his own to meet, does not want marks but dollars or pounds sterling, as the case may be, and forthwith sells the marks paid him by the Government for the currency he needs. If we add to this regular sale in the course of business the further sale by Germans who mistrust the stability of their own currency, we have a sufficient explanation of the stupendous drop in the value of German money.

Let me come back now to the question of what Germany can pay. Certainly she can pay something, though not in the form or under the conditions it is now sought to impose upon her. Many Germans possess foreign assets, whether investments or

balances in foreign banks, and it would be a perfectly practicable proceeding for them to sell these assets to the German Government, which in turn could hand them over to the Reparation Commission. But it is an essential condition of such a transaction that the owners of the foreign assets should be willing to sell them; no Government in the present situation of Germany could force a compulsory sale. How, then, could this consent be obtained?

I have no doubt that if these assets could be sold for an assured profit the holders would be willing to dispose of them. It must be remembered that to a considerable extent they are the proceeds of sales of marks which have been flung by Germans on the foreign market under the well-founded apprehension that the pressure of reparation payments would rapidly depreciate their value. Relieve this pressure and the mark would immediately improve. It has still a far greater value in Germany than it has outside, and the German holders of foreign assets would have a clear advantage in selling them for marks to their Government.

It is impossible to give any precise estimate of the total value of these assets, but I believe it would be safe to put them at not less than a billion dollars. Whatever the amount may be, however, Germany could pay it, provided the fall in the marks was arrested. More than that I do not think she has the ability to find, at any rate for some years, and it would be a condition of this payment that no more should be demanded of her for a long time to come.

Before I leave this part of my subject there is one observation I should like to make. I have no wish to minimize the just claims of the Allies against Germany, and I recognize the serious political difficulties which stand in the way of their abatement. But no solution of the reparation is possible unless political considerations are subordinated to economic facts. What Germany can pay may not be a simple question, but it is a question capable of being answered. Unfortunately the answer runs counter to popular hopes, popular passions, and, more formidable still, a popular sense of natural justice which prescribes that the defeated enemy who planned the War should make good the damage suffered by the victors.

I have dealt at length with the reparation problem in an endeavor to show that a nation, except in so far as it has an exportable surplus, can only pay foreign debt out of the wealth it has accumulated outside its own country. If we pass now to the other international debts we have to recognize that the general argument is equally applicable to them all.

Have the debtors an exportable surplus and what are their foreign assets? With regard to the latter question the only debtor possessing any large accumulation of such assets is England. Notwithstanding her immense sale of securities to the United States in the second and third years of the war, a sale which largely furnished the means of paying for the goods of all kinds bought by the Allies, England still owns sufficient foreign securities to cover her debt to the United States two or three times over. But neither France nor Italy has a similar reserve of wealth, and I doubt whether either of them has sufficient to meet more than a trifling part of her foreign debt.

There remains to be considered their exportable surplus in the ordinary way of trade. I shall speak later of the circumstances in which an exportable surplus from production usually arises, and I shall give my reasons for thinking that nothing more than comparatively small annual payments can ever be made in this way. But it will be more convenient now to deal with an individual debt, and I will ask you to consider the particular case of the debt from France to England, which I can speak about with more freedom, as it is a debt in regard to which my own country is the creditor. We shall get a clearer view of it if we examine the circumstances in which it was incurred.

During the War France developed an immense demand for goods of foreign production. As an increasing proportion of her man power became engaged in her army, her capacity to supply herself was progressively reduced. She had no abundance of foreign securities with which to pay for her requirements and she could obtain the war materials indispensable for the maintenance of the fight in no other way than by borrowing the money to pay for them. Before the United States came into the War France had borrowed $1,000,000,000 from

the British Government, and this amount was subsequently increased to over $2,500,000,000. The price of the goods bought by France was naturally high. Commodities produced to meet an urgent war need can never be cheap. But France was obliged to have the goods, whatever the price, and a great stimulus was given to American and British trade.

Let us now reverse the process and imagine France paying off this debt. She could only do so by producing goods and exporting them in very large quantities, far in excess of normal trade demands. If the general trade organization of the world permitted of the absorption of this additional French output I have no doubt that her industry would be capable of the effort necessary to enable her to pay interest and sinking fund on her debt. But would there be any willingness to receive the goods? Neither England nor any other country is prepared to-day to pay for and consume goods on an exceptional scale.

There are of course conceivable, though I trust improbable, conditions in which the French debt to us might be repaid. If we were at war and the call upon our men to line the trenches was such that many of our mines and factories had to close down and if France were at peace and at liberty to increase her output to the utmost of her capacity she might pour upon our shores war material and stores equal to the whole amount of her debt to us. But in what part of the globe is there a demand for this additional output in time of peace? The mere endeavor to extend her foreign sales to the necessary degree would disorganize the trade of the world. We have seen the painful effect of an enforced competition by Germany; we should experience precisely the same results from a similar effort by France.

The inevitable conclusion is that these international debts are far too great for the capacity of any of the debtor countries except England. She alone in her accumulated foreign investments has adequate resources with which to discharge her liability to the United States. Of the others France has the greatest resources, but they are, I believe, quite insufficient to meet her obligations. The whole subject requires a rational reconsideration by the creditors, who must keep steadily in

view the immediate effect of the payment of these debts on the general trade of the world.

The creditor countries will obtain greater advantage from trade prosperity which will insure full employment in their factories and workshops, than they can ever receive from the precarious payment of these debts. In the last two years we have had experience of the effect upon foreign trade of tumbling exchanges and broken down credit, and though the consequences may be more serious in England than in the United States, where foreign trade is comparatively only a small part of the total trade, they are still grave enough in the latter country also to warrant the fullest and most careful consideration.

It may be objected that my argument appears to lead to the unpalatable conclusion that no nation, unless it has accumulated resources in the form of foreign investments, can discharge external obligations to anything more than a comparatively small amount. This is an objection that goes to the very root of the question of international loans and forces us to a consideration of the real meaning of an exportable surplus. I cannot do more than touch upon it briefly now without stretching your patience beyond the limit of extreme good nature.

It seems to me that the most compact form in which I can present the case is by calling your attention to the experience of England as a creditor country. For over two centuries British capital has been lent to other countries. Year by year England produced more than she either consumed herself or could exchange for the products of other nations, and she could not obtain a market for the surplus unless she gave the purchaser a long credit. Foreign loans and foreign issues of all kinds were taken up in England and the proceeds were spent in paying for the surplus production.

British factories and workshops were kept in good employment, but it was a condition of their prosperity that a part of their outfit should be disposed of in this way. Taking the aggregate of the transactions, British creditors have received a good return on their investment, but the ability of the debtors to pay has been dependent, speaking generally, on the development of their country being fostered by the receipt of further loans. If we take the whole field of British foreign investment,

we shall find that every year England has returned in loan more than she received in interest and the balance of the world's indebtedness to her has been steadily growing.

From this view of loans made to foreign countries they might seem at first sight to be somewhat unremunerative. If the creditor has to go lending in order to be paid the interest on previous loans, a bad debt would appear to be the only possible end to the business. But this is by no means the case. While this continuous lending has been true in the past in the aggregate of foreign loans, it is not necessarily true in any individual instance nor does it follow that it will always be true of the loans as a whole.

In our experience as bankers it is not uncommon to see loans to corporations and firms justifiably increase in amount. The borrower may show by the growth of his business and expanding turnover that such advances are thoroughly warranted, and in spite of his greater total indebtedness his credit may be improving and his balance sheet may disclose an increasing surplus.

What is true of an individual or corporation may be true of a country, but on a larger scale and viewed over a much more extended period of time. The life of an individual or even of the most successful company is as nothing compared with the life of a nation. Take the case of your own country. The United States has been the greatest external borrower in history. You required foreign capital for your internal development and you took from England alone not less than $3,000,000,000. It is estimated that at the time of the outbreak of the war your external debt had become stationary in amount and that your exportable surplus of commodities sufficed to pay the whole of the interest. Repayment of the capital, however, would have been beyond even your capacity for a very long period had it not been for the opportunity afforded by the War. As you know, there arose then an inexhaustible demand in Europe for American goods, which led to an immense increase in your exports. Payment for these exports was largely made from the proceeds of the sale of the stocks and bonds held in England and thus a capital liability which had been growing for two centuries was almost entirely discharged in a few years.

We see, then, that a debtor nation may in certain circumstances pay off its foreign debt with remarkable ease and rapidity. The indispensable condition for such rapid repayment is that there should be an extraordinary demand for its goods, a demand which is a natural accompaniment of war but does not exist in peace. I cannot help thinking that there has been a general though very natural misunderstanding of the conditions under which international payments are made. In its present magnitude the subject is new. In the past we have been accustomed only to the discharge of comparatively small liabilities between nations which has been effected partly by the remittance of gold and partly by an extension of export trade facilitated by a fall in the exchange of the debtor country, and it is not easy for us now to free ourselves from the ideas we have formed in the course of our past experience.

Mistaken opinions on these economic questions are not surprising, but they are causing great disasters throughout the world. It is not many years ago—it is well within my own recollection—that a want of understanding of sound principles of banking led to repeated financial crises which were then believed to be inevitable. As they usually happened at intervals of ten or eleven years many serious persons attributed them to the variations which occur in the spots on the sun. These spots may affect the weather and, through the weather, the harvest, but a wider knowledge of banking and of currency requirements has taught us how to escape their malign influence on credit.

A better understanding of international trade and of the possible limits of international payments will quickly enable us to find a remedy for the evils which now distract us. The public on both sides of the Atlantic are beginning to take a more rational view than was possible three years ago, and if the leaders of opinion direct our footsteps along the right path I believe the world is now prepared to follow it.

To sum up: the conclusion to which I am driven is that Germany can only pay now whatever she may have in foreign balances, together with such amount as she can realize by the sale of her remaining foreign securities; that this payment is only possible if all other demands are postponed for a definite period long enough to ensure the stabilization of the mark, and that

future demands at the expiration of this period must be limited to the annual amount of Germany's exportable surplus at that time.

Further that England has the capacity to pay to the United States interest and sinking fund on her debt, but that the other debtors are none of them in a position to meet more than a small part of their external liabilities, and in the existing condition of Europe a definite postponement of any payment by them is desirable in the interest of all the parties. The actual amount which the other debtors could ultimately pay should, as in the case of Germany, be ascertained by inquiry into their exportable surplus at a full and frank conference between creditors and debtors.

It remains only for me now to thank you for the patience with which you have heard me. I have strictly confined myself to a consideration of the economic aspect of reparations and international debts, how they are payable, the general capacity of a debtor country to pay, and the effect of payment. If I have become convinced that an attempt to enforce payment beyond the debtor's ability is injurious to the international trade of the whole world, lowers wages, reduces profits, and is a direct cause of unemployment, the conclusion is founded solely on economic grounds and is uninfluenced by any political considerations or any regard to the moral obligations of the debtors.

I know very well that there are other considerations affecting these debts, but these are matters of statecraft to be determined by the rulers of the creditors' countries according to their view of wise policy, which covers many interests besides those of trade and finance.

The fact that the debtor cannot pay does not of itself discharge the obligation. The debt may become the subject of negotiation and bargain by which if the debtor obtains relief the creditor may still recover some advantage to which he may be justly entitled. But I conceive it to be the duty of bankers to help so far as they can in forming a sound public opinion upon the financial and commercial aspects of these international debts, and it is in pursuance of this duty that I have ventured to make these observations to-day.

V. EVERIT MACY

SAMUEL GOMPERS

Mr. V. Everit Macy is well known both as a capitalist and as a philanthropist. The following address was delivered at the meeting held by the National Civic Federation in memory of August Belmont and Samuel Gompers at the Hotel Astor, New York, December 30, 1924.

As the Civic Federation represents all interests in industry, it is particularly fitting that this meeting should be dedicated to the memory of both Mr. Belmont, the international banker and former President of the Federation, and to Mr. Gompers, the undisputed leader of American Labor, who was our Vice-President for nearly twenty-five years. These men had many traits of character in common. They were leaders in our national life because of the ideals of good citizenship that they exemplified and the qualities of leadership they displayed. They asked nothing for themselves that they were not willing for others to enjoy. They did not champion a cause lightly but gave their approval only when ready to make personal sacrifices for the upbuilding of that cause. And so, as President and Vice-President, they consistently and constantly spent of themselves to the strengthening of the Civic Federation. Contrary to the popular conception of Mr. Gompers, his outstanding characteristics were his passionate love of peace, his practical idealism and his faith in humanity. He realized, however, that peace cannot be founded on either industrial or international injustice and therefore, he consecrated his life to fighting what he considered oppression, in all its phases. The greater the danger or sacrifice required, the greater his devotion to the cause of peace through justice. His idealism was never of the theoretical type which has no other goal than the creation of destructive discontent. The practicality of his idealism was

his driving power which made him content to take one forward step at a time. Unlike many reformers, he lived according to his ideals. For this reason his life was a most constructive force in our nation, bringing hope and courage to our people. He was such a conspicuous and superb fighter in the cause of justice that the public associated him more with the battle than with the standard he held so high. As President of the American Federation of Labor, his great influence was always used for industrial peace. He was ever ready to meet his opponents half way in order to avoid a struggle as he fully realized the bitterness, the suffering and the financial loss caused by industrial strife. He accepted a compromise on terms but never deserted what he considered a principle. His judgment was unswayed by desire for popularity and when necessary, he would as fearlessly face the criticism of his less wise followers as the wrath of his opponents. If, however, the battle could not be avoided, he was a great fighting general. And so, when his country entered the World War, as commanding general of the labor forces behind the lines, he led his men to the most difficult industrial feats. Owing to his leadership, there were no serious internal disputes during the entire War. No general in the field contributed more to our victory and the restoration of world peace than Samuel Gompers.

In economic theory, he was a strong individualist and the most vigorous opponent to Socialism in the country. Individualism may seem opposed to trade unionism but Mr. Gompers believed in the organization of both capital and labor since only by such organization and through the balancing of forces could government control in industry be avoided. He realized that in modern industry individual effort, in order to be effective, must seek expression through organization but he opposed any tendency to substitute government control for individual initiative. He preferred aggressive unionism to any form of paternalism. Like all great leaders, Mr. Gompers had confidence in human nature; otherwise he could not have been a leader of men. In public matters and in the cause of labor he was farsighted and shrewd and difficult to deceive but in personal relations he was as ingenuous and trusting as a child.

Mr. Belmont, the banker, and Mr. Gompers, the leader of

labor, were both first and foremost American citizens, believing in our institutions. They thought in terms of national solidarity. Neither placed the claim of a group of citizens above national welfare. In their respective fields of activity, their aim was the greatest good of the greatest number. While America develops such leaders, we may look to the future with confidence that the ideals of peace with justice will finally triumph.

S. C. MEAD

THE FUNDAMENTALS OF COMMERCIAL ORGANIZATION

The following address discusses the function of Chambers of Commerce and Merchants' Associations and especially the duties of the Merchants' Association of New York, at the annual meeting of the National Association of Commercial Organization Secretaries in Washington, D. C., October, 1924.

THE first decade in the life of the National Association of Commercial Organization Secretaries is now closing. Its tenth anniversary has arrived. This event marks no arbitrary division between a completed past and a new or unrelated future. It is merely one of the succeeding days in the continuing and steady development of its service. Nevertheless it is an appropriate moment in which to take an appraising look backward in the belief that from the experience of the past—from its failures and mistakes equally with its successes—much may be gleaned to guide future efforts along sound lines of continuing growth in usefulness.

As far as this Association is concerned, the retrospect convinces that the vision of 1914 was sound, that the effort embodied in this movement is justified and that the results flowing therefrom constitute a service of fundamental value to its members, to the secretarial profession, and most important of all to the commercial bodies which we serve. This is evidenced by numerical growth in membership, by earnestness of purpose on the part of officers and members, by the evolution from personal experience meetings to a program of real and important educational value, and by the greater clarity of purpose and effectiveness of methods which have thus been made available to the chambers of commerce.

From analysis of the experiences of the past ten years, it is evident that there are two fundamentals, strict adherence to which must continue, if the Association is to justify its future and expand its usual service.

Two Fundamentals

First—The fundamental purpose to be served is practical education. Basically it is not a social or good fellowship movement, although this feature is a natural and very desirable by-product. It certainly is not a job-finding nor a salary-boosting medium. It has been and must continue more and more to be a forum devoted to the thoughtful presentation of the highest and most effective development of the state of the art concerning methods of commercial organization activities which practical experience has evolved. This is the real need to be met. The fulfillment of this fundamental purpose is the only justification for the future of the organization.

Second—It is a study of methods of operation, not of questions of principle or policy, which defines the scope and delimits the field of activity of this Association. The Secretary is not the chamber. He is the instrument employed by the chamber in executing the policies or defending the principles for which the chamber stands. Decision as to these policies and principles should and must be reached by the governing body of the respective chambers, not by the Secretary. To inject consideration of principles and policies into the educational program of this body would be an unjustified departure from the true secretarial field, would set the organization up as coordinate and competitive with the governing bodies by which we are employed for the purpose of executing *their* decisions on these matters and would inevitably result in the disintegration of the Association.

It is certain that any departure from either of these two fundamentals would be fatal, but it is equally certain that strict adherence to them constitutes a solid and dependable foundation for the future of our Association.

But this organization has its justification only because it is

related to the general chamber of commerce movement, and we, individually, follow our secretarial vocation only because of our personal relationship with individual chambers. In a very true and conclusive sense, therefore, this Association, the profession of secretaries, and the opportunities of individuals in the profession are dependent upon the soundness and permanency of the development of that general movement. Manifestly its future cannot be sound, permanent, effective or secure, unless it be built upon a clear conception and an intelligent application of certain fundamentals which theory has suggested and experience has tested.

A Restless Decade

Looking back, we discern that the decade now closing has been marked with an unusual degree of human restlessness, with an unusual, if not unnatural, strife for diversion, entertainment, excitement, for fads and fancies; for striking effects; for froth and shadows rather than for realities. This restlessness has not been confined to any one group or to any one nation but seems to be worldwide. The jazz in music, the nervous and ugly dances, the futurist element in art, the fads and fancies engrafted upon our educational systems, the present day contest between fundamentalism and modernism in religion, the paternalistic and socialistic activities of government—all these are manifestations of that restlessness and lack of regard for fundamentals.

Looking back, we also discern that one reason why this is so, is because a proper exercise of the power of imagination has been and still is lacking. Imagination, which images a clear conception of the fundamental verities of life—viz., goodness, truth and beauty—which conception when thus imaged becomes the instigator of the will and the motive force of human action. Getting back to fundamentals, to a clear conception of what they are and why they are, and to an intelligent application of them to human activities is the greatest need of the present day.

From this general restlessness and its effects, the chamber of commerce movement has not been entirely free.

When we observe that activities ranging all the way from baby shows, horse races and stock promotions to efforts to regulate all phases of community life, including politics, have been pursued by chambers of commerce, it becomes evident that a reconsideration of basic principles and a return to fundamentals in the chamber of commerce movement is both desirable and necessary.

What are these fundamentals which should be appraised and by which the effectiveness and propriety of chamber activities should be tested? It is manifestly impracticable within the proper limits of this presentation, to touch upon all of those principles which should be included in the category of fundamentals, but it is possible to discuss a selected group consisting of those which are most vital and are common to all chambers irrespective of size or location.

What Commercial Organization Is

The first fundamental is a clear and accepted conception of what a chamber is and what constitutes its proper purpose and scope. To create any organization as an end in and of itself, simply for the purpose of having an organization, is both futile and foolish. To create an effective organization to meet some real need and serve some useful purpose is a distinct contribution to progress. A chamber's existence is justified only when it is effectively organized and operated to meet real needs and to perform useful services not already effectively covered by some other existing agency. But such a chamber, when created, must be constructed in such form and operated in such manner as will most efficiently serve the purposes for which it is designed. These purposes are indicated in the following definition. A chamber of commerce is a voluntary organization in which the business units of a community, through membership, by coöperation, and coördination of effort, endeavor to improve the conditions under which trade, commerce and industry must be conducted, in order that the community may

grow and develop. It is a chamber of *commerce,* primarily and fundamentally devoted to community service and development by properly stimulating the growth of commerce and industry, those factors which make cities possible and which afford the necessary base upon which all other factors of city life and success depend.

The fundamental purpose, therefore, is service to commerce. In its endeavors to improve the conditions under which trade, commerce and industry are conducted, the chamber will be carried into many specific civic activities, because these specific civic conditions exercise an important bearing upon the conditions under which business is conducted. But the approach to any such activities should be because of that fact. Whether this definition of a chamber is accepted or not, it is essential that every chamber should have some clear and concise definition of its purpose, understood and accepted by its members. Such a definition of purpose and scope is essential. Is the chamber squaring itself with this fundamental?

The second fundamental consists in the organization of the chamber on lines best adapted to serve the defined purpose within the scope indicated in the definition. In other words, knowing the purpose to be served, build the machine which is best adapted to do that thing, and operate it by methods which will produce a maximum of effectiveness in serving that purpose. This fundamental and its application is one of the subjects of continuing study, both on the programs of these meetings and in the curriculum of the Summer School. It would, therefore, be needless duplication further to discuss it here except to observe that all chambers have not always squared themselves with this fundamental, and further that changing conditions at times require modifications of its application and that it should not be a matter of getting back to this principle but rather of staying with it all the time.

The Essential Yardstick

A third fundamental, somewhat negative in character but vital in nature, is a realization of the limitations of chamber

purposes and activities. The accepted definition expresses or implies the limitations of activities beyond which the chamber should not go. It furnishes a yardstick by which to measure the propriety of chamber action. The first foot of the yardstick is called "need." Is there a real need for the contemplated activity? If not, don't do it. If there is, then consider the second foot of the yardstick called "purpose." Is the proposed activity for which there is a real need consonant and consistent with the purpose of the chamber as stated in its accepted definition? In other words, will the activity, if undertaken, serve the community by improving the conditions under which its trade, commerce and industry are conducted? If so, then pass on to the third foot of the yard measure, called "scope." Does the proposed activity, for which there is a need, and which is consistent with the purpose of the chamber, come within the proper scope of chamber activities, or does it more properly fall within the scope of some other organization or community agency? If the proposal fails to meet this third foot test of "scope," don't do it. If it does, it is evident that it is a proper line for the chamber to pursue.

Before undertaking it, however, the wise chamber will give careful consideration to another practical limitation. Are the financial resources and the man-power of the chamber in condition to undertake the activity effectively and with reasonable assurance of success? If not, the wise chamber will not assume the responsibility implied in the proposed undertaking, until and unless those resources of money and of men are prepared and are available.

Failure to square themselves with this fundamental of limitations has seriously injured some chambers and has ruined others.

A fourth fundamental is effectiveness. The real objective of the present day American chamber is to do things and to accomplish results. The body which is not so organized and conducted is speedily doomed either to a mere paper organization or to oblivion. The measure of this effectiveness consists in what the organization *does* for the community, within its proper purpose and scope, not in the size of its membership, nor in what it has started but failed to finish. Results alone count,

and you may rest assured that the general public and the members will rigidly apply this test.

No chamber can stand still. It must grow or it will contract. This is particularly true in relation to this fundamental. It is not enough that a chamber is effective to-day, it must be more effective to-morrow. If it is to succeed in the eyes of its members and of the public its effectiveness of to-day must be the guide to greater effectiveness to-morrow. Are the chambers traveling in this direction and, if so, how fast? Successful service depends upon meeting this fundamental four square, both in the present and in the future.

The Program of Action

A fifth fundamental is a program. By this I mean a definite, clear and correct conception of just what the chamber wants or purposes to do. It is impossible intelligently to formulate a plan or construct a machine appropriate to do some particular thing, unless you know just what is the thing to be produced. You cannot demonstrate a proposition in geometry unless the theorem be stated. So a chamber, endeavoring to do something without knowing just what it is, will flounder or become ridiculous, with results disastrous to itself and to the general chamber of commerce movement.

But by a program, I do not mean the all inclusive and impossible program of work which, because of inability of accomplishment, has practically ruined many chambers either temporarily or permanently. Opportunities for service usually abound while resources of men and money are always more or less limited. A wise selection of the most important opportunities within the resources of man-power and money is what properly constitutes the program. A few worth-while things well done, are of greater value to the chamber and to the community than many things started but either not finished or poorly finished. Is this fundamental realized and observed by the chambers?

A sixth fundamental is singleness of purpose. This pertains to the man-power of the organization. Having adopted a pro-

gram, with a clear conception of just what is to be done, both the active and psychological coöperation and support of the chamber membership must be marshalled behind the movement. A unity of spirit and of desire to accomplish must be engendered, thereby bringing about a singleness of purpose which is almost irresistible in a worthy cause. To secure this singleness of purpose involves an understanding on the part of the members of just what the chamber is proposing to do and a conviction that it should be done.

Is the chamber meeting and applying this fundamental, so important for successful action?

A seventh fundamental, closely related to singleness of purpose and also pertaining to man-power, is determination—the will to do. This spirit must first be engendered in the membership, then coördinated and finally directed. It is the effective driving force which secures results and compels the confidence and respect of the membership and the public. The successful chamber strives to square itself with this fundamental.

An eighth fundamental consists in wise discrimination in applying principles of chamber organization and operation to the conditions in the community in which the chamber is located. This process is a local issue in a very true sense. Each community differs materially from every other in its needs, its opportunities, its potentialities, its character and diversification of business, its customs and its usages. To be most effective for service in its own location, a chamber must therefore wisely adapt and adjust the method of applying a fundamental principle to the local conditions under which it must operate. The adaptation and adjustment should be in the method of application, however, rather than in the principle itself. The fact that a certain method of activity proved highly successful in one town is no assurance that the same method would prove equally or at all successful in another town of radically different local conditions.

The wise chamber, therefore, exercises intelligent discrimination in the methods of applying principles to local conditions. Is every chamber squaring itself with this fundamental?

The Acid Test of Standards

The ninth and final fundamental to which I shall refer in connection with the chamber of commerce movement is the adoption, the acceptance and the unfailing application of a standard by which to test the justice and fairness of all contemplated conclusions. That standard or test is the answer to the question "What is the fair and square thing to all parties affected and to the community?" Guided by an honest answer to this test, the conclusions of the chamber will command the respect, even though it may not secure the acquiescence, of all fair minded men. Nothing will more surely or more effectively destroy the chamber's effectiveness than selfishness, unfairness, bigotry or injustice in its conclusions on questions of policy or of principle. The principle of the Golden Rule and the theory of the square deal are the most sound economic doctrines ever propounded. The chamber, being in the limelight before the public, is under a specially strong obligation to practice that doctrine and is peculiarly open to censure for failure so to do.

Have all chambers adopted and do they continually apply this fundamental?

Here are nine fundamentals of vital importance to every chamber of commerce of whatever size and wherever located. Their importance is emphasized by experiences of the ten years of existence of this Secretarial Association. The effective chamber of to-day and of to-morrow is one which first squares itself with these principles and then constantly checks itself up to see that it continues square with them under changing conditions. These disclose the fundamental purpose of the chamber movement, though no attempt could here be made to apply them to details in administrative activities. Intelligent adherence to these fundamentals is the best and only method of developing and sustaining that respect and support so essential to accomplishment of the purposes for which the chambers are created.

ANDREW WILLIAM MELLON

THE NATION'S BUSINESS

Andrew W. Mellon, Secretary of the Treasury, was born in Pittsburgh, Pa., in 1854, was long associated with Henry C. Frick in the development of coal and iron enterprises and became an officer and director in many financial and industrial corporations. He became Secretary of the Treasury in 1921 and has met with signal success the many problems arising in the after-war period. The following address was made on the occasion of a complimentary dinner tendered Mr. Mellon by the Lotos Club on February 6, 1926. President Nicholas Murray Butler presided and concluded his speech of introduction as follows:

"If intelligence, probity, and character can do that, then Mr. Secretary Mellon has rendered another public service not written in the books; he has offered us an ideal and a model for the ambition of the young men who are to come after him. So, gentlemen, in your presence and in that of our company of guests, I hail and salute this quiet American gentleman who turns neither to the right nor to the left when the public interest is to be served, or when a public duty calls, who does his great service week in and week out, month in and month out, year in and year out, with no concern for the unfriendliness, the malice, or the evil-mindedness that may come and go, but who asks only the reward of a clear conscience and the plaudits of right-minded and unselfish men.

"Gentlemen, I present to you our distinguished guest, the Secretary of the Treasury, Mr. Andrew W. Mellon." [Extended applause amidst cheering.]

MR. PRESIDENT AND GENTLEMEN OF THE LOTOS CLUB: The cordial invitation which I received for this occasion was made doubly cordial in that I was informed I would not have occasion to make a speech. [Laughter.] Therefore, I have come with a clear conscience, notwithstanding the fact that I am afraid I shall be unable to rise to the occasion as measured by

your distinguished President; but I am deeply grateful for the warm welcome which you have given me and for the generous words of your eloquent and distinguished President. It is especially pleasant and gratifying to hear them in the present congenial surroundings. Notwithstanding a keen sense of inadequacy and undeserving, it is especially gratifying to me, and it is delightful to come here, and for one evening at least to lose one's self in a place of such brilliant good-fellowship and gracious hospitality.

I have been in the Treasury now five years, although it seems scarcely possible that it should have been so long. The Treasury, as you know, is a pretty big organization. We have some 53,000 employees and we do everything from settling foreign debts and collecting taxes and customs to enforcing prohibition [laughter]—no—to be accurate: endeavoring to enforce prohibition [laughter], and running public health and public buildings. It is a job which requires not only continuity of attention, but the frequent determination of difficult questions of long-time policy upon which the prosperity of our country so much depends.

There seem to be more obstacles to overcome and greater obstructions to contend against in the conduct of public business than private. [Laughter.] I remember at a dinner which I attended in London when several members of the British Cabinet were present, someone asked the question, "Why is it that business men manage their affairs so much more successfully than politicians?" "Oh, that is easily explained," the gentleman sitting at my side answered, "it is because the business man has only business men to compete with." [Laughter.]

This is true. We do not function as smoothly in public life as in private. The machine is more complicated, conditions more complex, and the factors which we have to deal with are more uncertain. While these difficulties do not add to the ease of the job, they do increase its interest. Under a handicap one feels greater incentive to get results.

And results are possible in this great country of ours. Let me give you an illustration of what can actually be accomplished along the line of sound policy: Some two and a half years ago the Treasury presented a plan for the reform of

taxation, the essential feature of which was a reduction of the excessive surtaxes to normal figures. Here was a subject, economic in its nature, difficult at first to understand and with the popular appeal presumably in favor of imposing the highest possible taxes on the wealth. You will recall the reception this plan had in a former Congress. [Laughter.] Yet through public discussion and the fairness and innate intelligence of the ordinary American citizen we have had a complete reversal of sentiment. The futility of imposing such taxes and the advantage to every one of a proper taxing system, are now generally recognized. Both parties in Congress seem ready to reduce these surtaxes even below the figures originally suggested by me. We approach results. [Laughter.]

With such responsive understanding among the people the handicap of public service is indeed an incentive. If handling public business is like running a race in a sack, at least all other nations competing with us have similar obstructions to rapid progress, and I think that we in America by all odds have the best sack to run in. [Applause and laughter.] We can have confidence in the basic soundness of our people and of our institutions.

I left a good job to take public office. [Laughter and applause.] When I was in business I was master of my own time. I could meddle with business more or less as I chose, or could sit at the fireside and mould bullets for use of those in the firing line, but now I find myself ever in the front trenches. [Laughter.] Freedom of thought and of action are restricted.

But when I come into the friendly atmosphere of the Lotos Club among men who are, to some extent at least, masters of their own time, I appreciate your good fortune. [Laughter.] However, I am not complaining. Public office must have its drawbacks as well as its many compensations. The work is interesting and there are gleams of fun now and then. Yes, there are many compensations, and among them is the opportunity I am afforded of seeing my friends from New York who are at times obliged to visit Washington. [Laughter.]

Again I thank you for your wonderfully cordial reception. [Applause.]

FRANK ANDREW MUNSEY

PROBLEMS OF THE HOUR

Frank Andrew Munsey was one of our great publishers, the owner of the *New York Herald*, the *New York Sun*, and the *Baltimore American and News*. Born in Mercer, Maine, in 1854, he began his business career in a country store. Before he was thirty he had arrived in New York and started *The Golden Argosy*, a juvenile weekly. *Munsey's Weekly* followed in 1889 and became *Munsey's Magazine* in 1891. He died in 1926. In earlier years Mr. Munsey was author as well as publisher, and produced a number of novels. And he did not cease to wield the pen, for occasionally an important editorial bore his signature. This address, which attracted wide attention, was given before the Convention of the American Bankers' Association at the Hotel Commodore in New York, Oct. 4, 1922.

MR. PRESIDENT AND GENTLEMEN: Mr. Lonsdale's telegram inviting me to speak at this convention expressed the belief that I might say something to you that would be helpful to banking and helpful to business. My discussion of the business and industrial outlook for 1922, published in the *New York Herald* on the first day of the year, seems to have been largely responsible for the impression.

That forecast was substantially optimistic. This is as far as it went. The basic conditions on which sound prosperity rests were not yet right, but they were improving. We had put twenty months of intrenchment between us and the wild orgy of inflation and speculation of 1919. My purpose was to show that we were making progress toward better times, and that what we needed was confidence. People never get very far, never accomplish very much, while enshrouded in gloom. Confidence is necessary to progress, but confidence governed by facts and sound reasoning is the only confidence worth while.

We are a mercurial people. We are either up in the clouds

or down in the depths. When business is good, industries are humming, securities booming, there is no limit to our optimism. We are temperamentally incapable of seeing that the period of high pressure activities cannot go on forever. And so, too, we are temperamentally incapable of seeing any light and hope ahead when we are plunged from the bright heights of booming prosperity into the valley of gloom. This does not apply to all Americans. It does not apply to far-seeing, sound-reasoning men, but it is true of the American people in the large bulk.

One of the soundest pieces of work ever done in this country, one of the most necessary pieces of work ever done in this country, was done by the banks in 1920, in calling a halt to speculation and reckless expansion. It called for fine courage to jam on the brakes as you gentlemen jammed them on at that time. We were running wild with wide-open throttle; we were running straight for a smash that would have paralyzed the nation and stunned the world, when, under the able leadership of Mr. W. P. G. Harding, governor of our reserve banking system, you warned the country that it must immediately begin slowing down, and you applied the remedy that meant slowing down.

There was no other way to save the situation. There was no other force, not even the Government itself, that could have saved the situation. Industries cannot run without money fuel, business cannot function without money fuel; speculation falls flat without money fuel; and since the banks held the money of the country they alone were in a position to initiate and carry through retrenchment.

In my January 1 discussion of conditions this year, as in my January 1 discussion of conditions last year, I painted no alluring picture of business. I saw no boom in the offing, and did not wish to see one, for conditions were not yet right. What I wished to see, and regret that we have not seen, is a gradual but thorough liquidation in our production costs and in distribution costs, a general liquidation in house rents and other living expenses. With this liquidation we should have a sound foundation on which to build business and to look with justifiable confidence for a good run of prosperity. But instead of lower production costs, we have gone to higher production

costs; instead of liquidation in the wage scale, we have inflated the wage scale; instead of lowering housing costs, we are compelled to maintain, if not to increase, the present housing cost.

In this situation are the underlying conditions right for a run of sound business prosperity, and have they been such as to justify the bull market of the last six months? Isn't the business revival largely in response to the cry of empty shelves? If so, will the activity last? And how about foreign trade? With our high cost of production, there is and can be no such thing as foreign trade for America, except in raw materials, in foodstuffs, and in certain specialties. Production costs that make competition with other countries impossible annihilate our export trade; and without foreign trade what is the answer? In spite of all this; in spite of the fact that general conditions have not been right; in spite of the serious conditions abroad; in spite of the long drawn out coal strike; in spite of the disastrous railroad strike, security prices have gone steadily up, until now they stand at figures warranted only on sound economic conditions.

But have we sound economic conditions, considering our relations with Europe in her financial and economic distress, and considering, in the large view, our own unrest and our unsolved and unsettled problems? And is business generally coming back in dependable volume, or is the revived activity merely spotty? You may very well fancy that it is not altogether clear to me why the rebound from depressing conditions of eight months ago should have come on so fast. No, it isn't altogether clear to me. I question if the underlying conditions are right to sustain the premature boom of recent months. It may very well be, however, that I am wrong. To be right all the while is to be a drone or to own the world.

But the discussion of finance and economics and immediate business is not my purpose to-day. You are all steeped in finance, in economics, in the science of banking, and what you don't know about these will be told to you by other speakers.

The labor problem is one of our most pressing problems just now. The country hasn't enough labor to carry on its work, hasn't enough skilled mechanics, especially in the building trades, to carry on its work. With wages advancing lower liv-

ing costs are not possible. In the steel mills and in the textile centers wages have had a sensational advance, and this advance was compulsory because of the shortage of labor. In both fields of activity it was a question of bidding high for labor or shutting down the plants. Labor, like commodities, is subject to the law of supply and demand. The wage of labor will never come down until the supply exceeds the demand.

The law passed by Congress soon after the War restricting immigration is wholly responsible for the present labor shortage. If this law had never gone on the statute books, if our portals had remained as free to immigration since the War as they were before the War and as they have been throughout our history, our inflated wage scale would have been well liquidated before now. That wages would not deflate when there was a shortage of labor should have been clear to the Washington statesmen. It should have been clear to them because of the fact that America does not produce its own labor, and never has produced its own labor since the formation of the Government. England, France, Germany, Italy, and all the countries of the Old World produce their own labor. They do not depend upon foreign labor to do their work. Our only domestic labor, outside of the rural sections, is colored, and in the North that is wholly neglible. There isn't enough of it to make a dent in the situation.

We produce no labor in America for the reason that there is no sympathy between the American public school, and the pick and the ax. Put a boy through an American public school, whether he be the son of an immigrant laborer or the son of an old line American, the result is the same. He will have nothing to do with labor. And what is true of the American boy is true of the American girl, in respect of service. This spirit is fine, admirable. It is the spirit that has made America what she is—the richest and strongest nation in the world. But it leaves us without labor of our own and almost wholly dependent on foreign labor to do the plain, simple work that only human hands can do.

In this situation it is perfectly clear that the country should demand, and that you should demand, an immediate change in our immigration laws—a change that will let into this country

the willing workers of the Old World who are begging at our doors for admittance. In the matter of immigration what we need, and what common intelligence dictates we should have, is not restrictive laws but a selective system. Any change in the immigration law that would let into this country more plain labor and more skilled mechanics will be fought to the limit by organized labor. Whether our present restrictive law was passed at the behest of organized labor I do not know; but I do know that the law is exactly what organized labor has been contending for, and what organized labor will contend for with all its force.

A country the size of America, a democracy, must have party government. There is no other way to manage it. No big concern can exist without organization, and the biggest business concern in the world to-day is the American Government. A democracy is a mutual concern managed by the citizens of the country. With a population of a hundred and ten millions, obviously the only way the individual citizen can make himself felt in the management of his business—and his Government is his business—is through a political party. We are not lacking in party organization. Indeed, the Democratic and Republican parties are so strongly organized, have become so thoroughly intrenched in the field of politics, that it is a question if they have not become our masters, not our servants.

In the early days of the Republic they represented distinct and positive ideas. But with these great fundamental ideas converted into history there are no longer any big outstanding issues between them that have any place in our politics. There are, to be sure, many small points on which the Republican and Democratic parties differ to-day. It is their business to differ, to create differences, to work up issues, without which they would cease to exist as political parties. It is the business of each party to oppose and to fight the acts and proposals of the other. There is very little team work between the two parties in Congress and in our State Legislatures given to constructive measures—very little team work given to the economies of government, given unselfishly to the interests of the Government and to the interests of the people.

The truth is that neither party has a sufficient margin of

safety to justify it in taking chances on such coöperation: that neither party has sufficient margin of safety to justify it in forgetting for a minute the vote back home. While this political jockeying has been going on since the great old issues disappeared, a new issue has developed that now divides all America into two political camps, as yet without political names. They are the radical camp and the conservative camp, and within each camp there is a wide range of thought and feeling. Some day, and not a very distant day at that, these two groups will evolve into organized political parties with names that signify what they stand for.

The names of the Republican and Democratic parties have no significance that fits the present day. Each means substantially the same thing—means a stand for popular government. Since, however, we are not by way of changing our form of government, these party names mean nothing. It is not in me to put aside things that are old simply because they are old. No more is it in me to continue the use of things that are old simply because they are old. I have no such maudlin sentiment. If an old machine can give as good an account of itself as a new machine it is the part of economy, the part of common sense, to continue using it. If it cannot do this it is an economic crime to continue using it. This is as true of political machinery as it is of any tangible machinery in our vast steel plants or other great undertakings. And so, if the two old parties can continue to do our work as well as strictly new parties could do it, I should certainly favor keeping them in the harness. It would be the easy way. But, personally, I do not believe they can deliver the goods, handicapped as they are by the accumulated prejudices of time.

What we want and should have is service, and we should see to it that we have the machinery that can give us the service. In our political conventions it has been the custom of both parties to dwell at length on their historic achievements. This does not mean a thing to me. What a party can do, is doing, means everything to me. The salvation of our present situation would be a liberal conservative party, numerically strong enough to hold the balance of power against the radical forces.

There is no more conservative section of the country than the

South. The conservative people of the South naturally belong with, and should line up with, the conservative people of the North. With new political parties this would be perfectly simple, while it is not possible with old parties as separate entities in the field.

To make it plainer: If, for example, the Democratic party should come out as the radical party, retaining the old Democratic name, can you fancy that men who had been voting the Democratic ticket all their lives, however conservative their sentiments, would switch over in large numbers to the Republican party? And considered from the other side, can you fancy that men who have been voting the Republican ticket all their lives, however radical their sentiments, would switch over in large numbers to the Democratic party? This is the crux of the whole matter, for the important thing in this situation is for our voters to enroll with the party that stands for the thing they stand for in their own hearts. And this is not possible with the Republican party and the Democratic party in the field. With these two old parties out of the way, the new political alignment of the people would obviously be in perfect accord with their sentiments.

But there is one way that these two old parties could be of the greatest service to the country. This is through consolidation. Still the name—the Democratic-Republican party, or whatever it might be—would give no indication of its policies. Nevertheless, this combination of forces would constitute a mighty wall of strength reared against the fast rising tide of radicalism.

I can see nothing so important to this nation as would be the welding together in a great solid unit of all our citizens who think alike as concerns constitutional government, who think alike as concerns property rights, who think alike as concerns the institutions of our Government under which we have grown into a great, powerful and happy people. Reconsecrated to liberal conservatism—liberal conservatism in fact—our politics would be in much better shape than they are to-day, in much better shape than they have been since finishing the work for which the two old parties were originally formed. With radicalism the issue, with a radical party on the one hand and a

liberal conservative party on the other, there would no longer be occasion in Congress and our State Legislatures for jockeying for issues.

I have said that the very great issues which separated the Democratic and Republican parties have passed into history. Let us go back and check up the facts. The original issue between the Democratic party and the old Whig party, the predecessor of the present Republican party, in the early days of the Republic, was the tariff. Almost at the outset of the Republic friction began to develop between the North and the South over this question. The South, with its abundant crops of cotton, corn, and tobacco, and with no manufacturing, stood out for free trade. It could live and prosper on the products of its soil. It had no infant industries to protect, and, as the South reasoned, why should it be taxed through the mechanism of a tariff to protect the infant industries of the North? The North, on the other hand, without the sunshine and the fertile soil of the South, could not live on the products of its own hard, rocky acres. With the North it was a question of industrial development or no development at all. Its small factories could not compete with the established factories of England without a tariff that would level up the costs of production abroad with the costs of production at home. And so the issue was clearly and sharply drawn between the two sections, with their wholly different interests. As time went on, the feeling over this issue became so tense that John C. Calhoun and Robert Hayne, Senators from South Carolina, came out vigorously for the separation of the South from the Union.

This action created a storm that shook the young Republic to its very depths. A long and bitter fight followed, but under the leadership of Daniel Webster, Senator from Massachusetts, the battle was won for the maintenance of the Union. The tariff sore, however, remained unhealed. And the contention of Hayne and Calhoun that the States had a right to secede from the Union still gripped the people of the South, and had some following in the North. The Democratic party was the instrument of the Southern idea; the old Whig party, the predecessor of the present Republican party, was the instrument of the Northern idea.

Later came the slavery question, which stirred the South to the point of putting the Hayne-Calhoun contention to the test. That question, the right of secession, was settled by the Civil War—that question and the slavery question.

With these two issues passed on to history only free trade, the original issue, survived the War as the big dividing issue between the two parties. And now that question has been settled, in point of fact, through the South itself becoming one of the greatest industrial camps in the Union—an industrial camp destined to become bigger than the North, vastly bigger, for the reason that it has the raw materials at its door, has lower living costs and is nearer to the centers of consumption. In this situation the tariff has no place in our politics. It is wholly a business question, and should be so treated. Standing out, however, as the original issue between the two parties, it is still the fighting ground between them and to the shame of the American people, who permit these two old parties to keep this great economic question under the sordid heel of politics.

America is in a transition stage to-day. The whole world is in a transition stage to-day. America has cut loose from the conservatism of our fathers and dipped deep into the wilderness of radicalism. This is true in our politics, in our statesmanship, in our social life, in our business life, in our point of view in all things. The change from a century ago has been insidious, revolutionary. The amassing of great fortunes, general prosperity, organized labor, the spirit of unrest, the spirit of Bolshevism, the love of play, the demand for short working hours, the general dislike for work—all these are represented in the new idea, in the spirit of the times. We must give earnest consideration to this change and square ourselves to our responsibilities. Good government is back of good banking, back of good business. There can be no safe banking without good government. There can be no safe business prosperity without good government, and it is our duty—your duty, gentlemen—to see to it that we have the right machinery to insure good government.

America is the best living country in the world to-day, with its incomparable natural resources and incomparable opportunities for human advancement. America is worth saving. If it

is saved, it will be saved by you and by men like you; if it is lost to the world as the foremost example of democracy, it will be lost by you and by men like you.

Nothing succeeds without ownership interest in the management. This is as true of Governments as of business; as true of your Government as of your banks. If you want a good government you must pay the price that insures a good government. The price of good government in a republic means a deep personal interest in your government, the same serious interest you have in your business. The price of good government in a republic means work, means watchfulness, means giving the best there is in you to your government. The living of a life is a serious business. The life that absorbs from the world, gets everything it can out of the world, and gives back nothing to the world is not worth while. It is a flat waste of human force.

A man may serve his government in many ways. Public service does not consist solely in holding public office. The organization back of public office is in the public service quite the same as the Congressman or the Governor or the President, for it is the organization that puts him in office. Service in the organization is fundamental and imperative in the life of a democracy.

The position you hold in your respective communities means more than being a good banker, means more than earning dividends for your stockholders. It means citizenship responsibility, means citizenship service to your respective communities, means citizenship service to your country.

CHARLES NAGEL

CHAMBERS OF COMMERCE

Charles Nagel was born in Colorado County, Texas, in 1849, studied in the University of Berlin and Washington University, St. Louis, was admitted to the Bar in 1873 and was Secretary of Commerce and Labor in the cabinet of President Taft. This address was delivered at the exercises dedicating the new building of the Chamber of Commerce of the United States, in Washington, D. C., on May 20, 1925. The speech of Richard F. Grant given on the same occasion is printed in Vol. IV.

It must be obvious to you, as it is to me, that this is not a political organization. The Chief Justice will bear me out if I say that it is contrary to all political tradition to remember anybody for anything that he might have done, for a period of more than ten years.

At the same time, the organization of this body did involve some political considerations. It may have been easy enough to find a secretary who would give patient ear to intelligent business men, and to be persuaded of the need of this organization. But it was a rare fortune to have in the White House a President who always gave patient audience to his secretaries, and who, after he decided, had the courage and will, to stand as President of the United States, for the idea that had been adopted. Without him, we could not have done it, although I want to be fair and say that not even after he had given the word—and I shall speak of only one man—if we had not been fortunate enough to think of Mr. Wheeler, and to have appealed successfully to his patriotic spirit, in my judgment this organization would have died.

More than that, I belong to that school of politics which does not believe that anything is created by the form in which it happens to be cast, or by the man or men who happen to pro-

mote it. No law can live, and no institution can survive, unless the wills of those who are to be governed or who are to be benefited, are in favor of that institution. The truth is that the conditions in this country were ripe for a Chamber of Commerce of the United States, and we were fortunate enough to recognize it, and to have a President who believed in seeing it done.

What were the conditions? Up to that time we were divided by the rule of self interest in this country. The labor unions stood for one side, the merchants for another, industrials for another, agriculture for another, and each believed that its purpose must be to seek the greatest advantage for itself, regardless of the cost to the others.

We were not unlike the illustration given by Sydney Smith, who is said to have walked through the streets of London with a friend, and, seeing two women talking violently at each other across the street, each leaning out of her particular window, stopped and said, "They will never agree." When asked why, he said, "Because they are arguing from different premises."

That was our situation, and the idea of this institution was to organize the commercial and industrial forces of this country upon an intelligent basis, for their own information, for the enlightenment of the entire community of this country, and with a view to find rules of conduct that would permit them to prosper because those who were related to them in one way or another were equally prosperous with them. The purpose was to find a mutuality of interest in this country, instead of perpetuating the eternal antagonism that had prevailed.

Much water has flowed over the dam since then. Sometimes I hope that some of it has had the advantage of the clarifying process.

We have had experiences in this ten or twelve years that are bound to modify many of our views. If the war has had no other good result, it has certainly forced us to think and to reflect and to amend many of the accepted rules of action which had up to the time of the War governed us.

I feel safe in saying that the accepted rule of competition, as understood in those days, no longer controls as it did then. I feel safe in saying that the popular prejudice against the

mere power of an organization no longer persists as it did, just as I believe that the most powerful industrial organizations of this country see more clearly now than they did then that the maintenance of their power depends upon the just and fair employment of it.

We have seen what competition may mean. We have been forced to accept the truth that no nation can prosper so long as a large percentage of nations lie low. We know now that to carry on war is one thing, but to mend its consequences is another; and that in the last analysis, the prosperity of even our advantaged country must depend upon the ability of all the peoples of the earth to survive by their own means and their own methods.

That is true in business. Competition has suffered some modification. Altogether, we have less confidence in the employment of force than we had. We made war upon it. We have come to see that force, as a permanent power, is not safe. Repression—Yes. Every rule of conduct must be sustained by the ability to repress the few or the percentage that will not obey. But so soon as any statute or law depends upon the power of repression from day to day, so soon as any statute must be enforced against the great mass of the people all the time, in my humble judgment, it ceases to be a law.

We like to trace our system of law to Great Britain—and we should. We could find no better source for inspiration as to how law ought really to be made, because Great Britain is the one country whose law was built upon the custom of the people by present consent.

What have we come to? We have embraced the belief that when a resolution is authorized to be printed, and is called a statute, it has become a law. It should be, but it will not be, until the will of the people is really behind it. We are not safe in assuming that a naturalization paper makes a citizen. It gives him the right and the privilege to become one. We are too willing to take the form for the spirit, and that is the explanation of the over-legislation that has flooded our country.

These are all questions in which you are perhaps more interested than any part of the community; but in the last analysis every citizen is interested in not having our statute books

loaded down with legislative promises which the executive branch of the Government cannot keep.

President Coolidge said in his last message:

Unless the desire for peace be cherished, all the artificial efforts will be in vain.

He spoke of foreign affairs, but he struck a note which is universally true. Nothing is more true, to my mind, than that we are given to make resolutions, statutes, speeches, promises, and that we ought to learn to substitute conduct for speech. That is what we need in this country. If I were asked how to explain the unparalleled support that has gone to President Coolidge in the last year, I should say that it is precisely because he, in his official conduct, has given most persuasive proof of the recognition of that simple fact, substitution of conduct for speech.

That should be the motto of the Chamber of Commerce of the United States. Of course, this organization is interested in knowing what legislation is put upon the books. It is interested in preventing, at times, in amending at others, in helping to shape and formulate, yes. But it is, in my judgment, more interested in helping to mold a rule of conduct that will not invite any legislation.

Lincoln said that he who molds public opinion will have far more influence than he who makes or enforces laws. That is a simple truth, but, as I have often said, we always talk about Lincoln, and we do not live Lincoln; and that is what we need.

The Chamber of Commerce, in my judgment, has one of the great problems before it, in that it ought to seek to interpret and to impress upon its membership and upon those outside of its membership rules of conduct that will invite satisfaction, and that will repel, of themselves, every attempt to regulate. That is a large contract, but it is the only salvation there is. We cannot win by simply resisting proposed legislation. We can only win by taking the sting out of the complaint, and leaving the challenger helpless and hopeless. That is the measure.

I have believed that all organizations in this country should have more power and control over their own membership and

the conduct of their enterprises. We lawyers are permitted to appoint committees to pass upon the examinations for the admission of new members to the bar. The state gives us that much right, or the courts confer that much authority. But after we have admitted the member, it makes no difference how serious his offense, we have no power whatever to remove him from our midst, and in most states we must wait until some jury sees fit to disbar him.

It is so in other professions. I believe that you in your capacity as a Chamber of Commerce should have more control and more incentive to demand that misconduct by which you are apt to be judged should be corrected, either by your own authority, or by a report made to the authority named by the state. The burden is upon you, because your good standing is at stake, and your reputation always goes to the lowest level of the worst member.

Mr. President, I ought to apologize for having gone as far afield as I have. Perhaps the fact that I have been sent back to my profession, and am trying to make a living at it, has created a natural disposition to undertake to advise. Please do not charge me with that. I am profoundly concerned. I am deeply interested. I build the greatest hopes upon this institution. I would like to participate in the deliberations this evening, and have as best I can, and I trust that anything I may have said may not have seemed to obscure the sense of gratitude which I feel at being included in this ceremony.

EMMETT HAY NAYLOR

THE TRADE ASSOCIATION

Emmett Hay Naylor is a graduate of Dartmouth College and of the New York University Law School. He was four years Secretary of the Chamber of Commerce at Springfield, Massachusetts, and has been active in various commercial organizations. For eight years he was Secretary-Treasurer of the Writing Paper Manufacturing Association, said to be the oldest trade association in the United States. He is a lecturer on commercial trade associations at Dartmouth, New York, and Harvard Universities and is also lecturer at the Alexander Hamilton Institute. The following address was presented in 1919 at a meeting in New York City of the United Typothetæ of America (employing printers and publishers).

In Joel we read "Your old men shall dream dreams, your young men shall see visions." Dreams are generally of things of the past, visions are of the future. Dreams are truly for old men who have a past, while visions are for young men looking forward to the future and as there are admittedly nowadays few old people in business, we find most men as "children of the morning, looking forward, never back." Experience alone is the look backward, the dream of yesteryear, which is useful only as it clarifies the vision of to-morrow. And these dreams of days gone by are not always of "fresh blown roses washed with dew," but are generally nightmares of greed, distrust, cut-throat competition and of walking the plank into a sea of insolvency to the diabolical laughter of a few successful survivors. But these visions of to-morrow are the reality of to-day when greed has yielded to generosity, distrust to confidence and cut-throat competition to constructive coöperation. He is asleep and is surely dreaming who says business is not done to-day on a better basis, for thinking men are awake to the fact that there is come to man a new vision.

It is not for me to blow a clarion blast of platitudes to assure you that you are with virtues and without vices, that you are of the angelic hierarchy, that the millennium is at hand just because you are not your own grandfathers. You are just as human as they were and you possess the same piratical potentialities but you also possess the same saving graces, which they suppressed but which business to-day requires as most essential for real success. And yet these God-given graces of yours will not grow of themselves, they must be cultivated like any virtue. But the glorious fact is that they are recognized and are desired. Am I picturing an El Dorado, am I speaking of some golden garden of the Hesperides? No, gentlemen, I am on solid mother earth, I speak of facts, of demonstrable qualities in men which have raised their business methods from sordid purposes and have made them perform on a higher plane, not alone because it profits them more in coin, but because of the satisfaction it gives to their very souls.

I do not refer here to the awakened social consciousness of man expressing itself in charities, in lunch clubs and their kind, and I do not refer to an awakened civic consciousness expressing itself in local chambers of commerce, where men of many interests work together for the common good, but I do refer to the awakened business consciousness, to mutual aid between what our grandfathers considered as enemies, to the final reality of what once seemed a ridiculous vision, to coöperation among competitors, made practically manifest to-day in the modern trade association. If time or space permitted, which they do not, I could give you testimony after testimony to show how the dreams of yesterday have faded under the refreshing morning light of to-day, of how the impossible has become the possible, of how the finer, nobler qualities of the business man now are profiting his pocketbook more and enriching his life's experience and soul's growth. Let me touch on facts in the dream and in the vision.

Dreams of Yesterday

The dream goes back to the medieval days when men found it necessary to protect their mutual business interests by the

formation of guilds in which an appeal alone was made to man's avarice. The guilds made rules and enforced them to drive men into doing things. Their selfish purpose was their undoing, assisted by the introduction of machinery. Then came the pools of the last century with every man distrusting every other. Each man joined a pirate crew to fight other pirate crews and get away with as much personal swag as he could when his own crew was not looking. And when it was found that these methods based on primeval instincts were not successful, men sold their property and their souls to a heartless trust or combination which was the next step in the merciless methods of business. The nightmare now was at her worst. Then rose up the trampled public with a cry of wrath and the Sherman anti-trust law was passed in 1890, which is a not far distant date. Some men, however, had begun to appreciate as early as 1861 how despicable, how undesirable and how hopeless it was to fly at one another's throats and so they began working together for mutual good in small voluntary groups representing an industry. The methods and often the motives of these early converts were not above cavil; like the first brave souls of the Christian faith their ardor frequently outweighed their judgment, but they had seen the light, they had awakened from the dream, they had glimpsed the vision, they had the hope for a better, a brighter day.

The vision of these early liberal pioneers of better business is now our real and rich heritage. And their hopes and their efforts have borne fruit because the roots of the idea are in the warm ground of economic necessity. The modern trade association as a business organization, a fact-finding body, a director of the course of commerce, appeals only to the stronger, better side of man's nature and gives to his business all those material and spiritual rewards which make his brief span of service worth while and satisfying. A trade association to-day may well be defined as a voluntary organization for the improvement of an industry, and its legitimate functions, without direction as to use, are the furnishing of information upon production and distribution of commodities and raw materials therefor; assistance in the technical processes of manufacture and the standardization of products; promotion of the general use of

commodities, and other forms of service which are helpful in the progress of the industry and of benefit to the public.

When man opposes economic laws, he finds the result as ephemeral and unsatisfactory if not actually as ruinous as when he opposes natural laws. It is futile to hope by agreement to fix prices, to allocate territory and to limit production. An agreement, were it legal, might work for a short while but sooner or later it would meet its end because it is uneconomic and irritates human nature. It is an insult to a man's intelligence and initiative and it robs him of that individual liberty of judgment and of action which is his inalienable right. The law now keeps him from thus doing harm to his business interests and he is coming more and more to appreciate the fundamental soundness of such statutory regulations and the importance of a knowledge of economic cycles of facts and the danger in their opposites, the cycles of personal delusions.

Visions of To-day

While the existence of the trade association is really a result of the evolution of commerce, a reply to the insistent challenge of the old inexorable law of supply and demand, that keystone of the economic arch between producer and consumer, yet much credit is due the business man who appreciates the value of his heritage and is proving faithful to its principles. Although it might seem that the business man is merely accepting inevitable forces which he must incorporate in his principles of procedure, yet through the progress which I have seen trade associations and individual members make in the last decade I do claim that the business man is to be commended for his willingness, yet his eagerness, to accept and practice the better tenets of commerce.

As these trade associations increase their usefulness as bureaus of fact-finding, economic research, giving members information upon which to predicate their actions and showing them the established ebb and flow of market conditions, so will business and its methods keep on improving. Destructive competition and all its corollary disasters to producer, distributor

and consumer are not due so much to the inherent viciousness of business men as to their lack of true facts. Give a man the truth and he will generally do right. The trade association furnishes these true facts and advocates high principles and so is a compelling power for good and is strong in that its very being and motives are the self-expression of business members themselves.

The dreams have faded, the dawn has blown to fullest day, and the new vision of business is here, vitalizing and spiritualizing the service and the reward of business men.

WILLIAM HENRY NICHOLS

THE CHEMIST AND RECONSTRUCTION

William Henry Nichols is one of our chief representatives of the union of science and manufacture. Born in Brooklyn in 1852, graduating from New York University in 1870, he has been since then constantly engaged as manufacturing chemist, copper refiner and smelter and is head of great corporations including the Nichols Copper Co., the Allied Chemical and Dye Corporation and the General Chemical Co. He was incorporator and president of the American Chemical Society and has been member of many scientific and engineering societies. He has received honorary degrees from many American Universities and decorations from foreign Governments. This address, dealing with the part which chemists may play in the great task of world reconstruction, was delivered before the American Chemical Society in May, 1919.

In accordance with the plans outlined by the Council at its December meeting, the Spring meeting of this Society, now beginning, will devote itself in particular to questions of reconstruction facing us at the termination of the most destructive war that the world has ever seen. The solution of these questions will influence for good or evil the next century of the world's history. The chemist will have a very responsible part not only in the discussion, but in the work which will follow; and it is, therefore, with feelings of earnestness, soberness, and eagerness that we should approach the deliberations of the coming days. In all human probability, it will not be long before terms of peace have been agreed upon, and peace itself take the place of the unspeakable horrors of the years since August 1914. During that period, every public and private interest has been subordinated to the one question of winning the war for right and justice, thereby providing the firm foundation on which to build for the future. All over the world, civilized and uncivil-

ized, there has been derangement beyond conception, and the first part of the reconstruction problem is to get back as soon as practicable to an approximation of the conditions of five years ago. Aside from the impossibility of restoring the millions of human lives which have been lost, and the other millions which have been tortured, and homes made desolate, the question, wanton and otherwise, of untold billions of dollars of property, cannot be adjusted by resolutions to be good in the future, even though regret for the past be honestly felt by the chief sinners, which I fear is not the case. The property has been destroyed and most of it can never be replaced, but out of it all has come the victory of liberty and freedom, the fruits of which if wisely directed will bring a new and better era to the world. Conversely, if directed unwisely or selfishly, we will have a new era just the same, but one which may put civilization back a hundred years.

We will be falling short of a proper understanding of the difficulties and needs for reconstruction if we consider the task simply of putting back what has been displaced. We might just as well meet the matter fairly and squarely by recognizing at the outset that the world can never go back to where it was five years ago; too many things have happened in the interval, and too many thoughts and ideas have been in process of development during the preceding fifty years. A revolution has taken place, none the less effective because so much of it has been below the surface. It is perfectly true that a number of pressing matters on which the very life of the people depends must be settled, at least temporarily, before we can begin to live even ordinary lives, but we must not deceive ourselves with the thought that having temporarily settled these matters the whole question is out of the way. Let us set ourselves to briefly consider some of the forces that have been at work during the last half century, with the knowledge that whatever form of reconstruction the future has in store, these things can not be left out of our calculation. Let us look at a few of the elements of this quiet revolution, in order that we may not be taken unawares at a later period by the inrush of some crushing force of whose existence we were wholly ignorant.

Enormous sums have been added to public debts during the

last five years, but we must not forget that during a long preceding time this condition of mortgaging the future has been in somewhat steady and continuous practice. I have seen it estimated that public debts of countries and municipalities to-day exceed $315,000,000,000. I do not know how correct that estimate is, but I imagine it is below rather than above the mark. That is what the future has got to pay for what the past, including this terrible war, has done for it. Any honest consideration of reconstruction must contemplate a gradual lowering of this terrible debt, and its ultimate extinction. We have used a large part of our assets, and have gone in debt doing it—not good business practice you will agree, but one in keeping with age-long traditions.

An unknown force confronts us in this country by the gradual growth of sentiment which has resulted to a large degree in giving the vote to women. The question is not whether they are qualified to vote, but rather what will they do with the vote and what effect will it have on our public life? As far as we have gone, it does not appear to have produced any startling changes in results, but I am not so sure that it will not eventually produce changes that will surprise us. Whatever the effect, it is a new and a little understood question, and must be taken into very careful consideration. Allied with this is the forced necessity of employment of women, in many instances to do the work previously done by men. Our experience of this phase has not been nearly as extensive as that of some of our allies, and yet the question is here, and has got to be considered if we are to make correct diagnosis of the future.

Employers of labor have realized for a long time that they have a problem to solve which is not an easy one. It is perfectly clear that we have passed the stage of public enlightenment which justified the employer, in his own mind at least, in looking upon his workmen as so many hands. It seems likely that the swing of the pendulum has carried it to the other side in which labor feels its ability to lead rather than follow. One of the greatest problems in the reconstruction period will be to find the point where both sides (if we can properly use that term) are fairly and justly treated. We have accustomed ourselves too much, I think, to consider the rate of wages paid to

workmen as differentiated from the results the payment of a dollar will produce. We have got to learn, if we have not already done so, that labor efficiency is of much more importance than the rate of wages. The problem, therefore, must be solved not by one side yielding to the other, but by both meeting on terms of mutual friendship and understanding, so that the employer can pay the largest possible share to labor which, on its part, is rendering the largest possible amount of return. When this happy state is reached, it will be found, in my opinion, that labor in this country will receive higher reward than anywhere else in the world, and the employer of labor will at the same time be able to compete with any country in the world.

A careful study of this question cannot be made without due consideration being given to the change in the character of our population within the last fifty years, rendered inevitable by the large influx of immigrants, many of whom have remained to become incorporated into our body politic, but many of whom, I fear, have not lost the old world notions which they brought with them and which they strive, by unlawful methods, to force upon the freest people on the planet.

One of the recent questions which has unsettled our minds, as much as almost any other, has been the apparent necessity of the Government taking over the management of railroads and other public utilities. While this was done doubtless as a war measure, although it had been long in the air, there is an overwhelming feeling that we have had enough of it. This is a question which must be decided promptly and for all time. It does not stand alone, but is part of a larger question, namely, whether ours shall be a government "of the people, by the people, and for the people" or something sadly different.

For many years, there has been a feeling, shared by a small but respectable minority, that the manufacture and sale of all alcoholic beverages should be prohibited. Suddenly, and to the surprise of the country, our Constitution has been amended to that effect, and whether it be the will of the majority or not, prohibition is in sight. This is no place to discuss the morals of that question, or whether light wines and beer should be ex-

cepted. It is the place, however, to point out that alcohol has many uses of great importance entirely aside from its occurrence in beverages. It is essential in so many of the arts and manufactures that a list of them here would be tiresome, even if it were not already well known to you. To any one not familiar, I recommend a study of an excellent chart prepared by the Industrial Alcohol Company. I hope that in the reconstruction period, no legislature can be fooled into forgetting this fact, or making it more difficult for the chemist and manufacturer to obtain at reasonable cost this highly important raw material.

We have heard much in recent years on the general subject of conservation of natural resources, including the utilization of our water powers. This has had the effect of bringing the importance of this question more or less to the attention of a great many people, but it has not yet led to a thorough appreciation of the vital importance of close attention to making the most of what we have left, after the extravagant uses to which we and our forbears have made of these resources. Petroleum, natural gas, anthracite coal, forest products, and ores of all kinds, hitherto considered to be inexhaustible, we now realize have very decided limits. Most of these when once taken from the ground can never be replaced, but this is not true at least of our forests or our water powers. Yet what have we done to replace the tremendous waste which our utilization of our forests has witnessed? In our reconstruction of the future, we should not only see to it that we use no ores or fuels wastefully, but that our forests should be regularly and methodically replanted and, thus, climatic changes prevented, while forest products are produced sufficient for all needs.

Particular attention should be paid our magnificent stores of sulphur which, in spite of apparent abundance and cheap production, should be conserved to the extent that they should not be used where any other form of the element, such as pyrites, blends, etc., can fulfill their functions. At this stage of knowledge, the world should be too intelligent to wait until it has used up its resources before it awakens to the fact that the damage has been done, and nothing is left but to mourn. The reconstruction period will see a great deal done in lines of con-

servation, and it is on these lines in particular that the chemist will find his opportunity.

We hear a great deal about the unrest of the masses which comprise many of the workers, and much fear is entertained about what this will lead to. There are various reasons for this unrest, and some of these point to unfairness of certain employers of labor, particularly in the past. There is something in this, but not as much as many suppose. The condition of the worker and his reward have been steadily improving for as long as I can remember, and yet we hear of unrest. You ask why, if the present system results in continuous improvement, should it be changed for something which, as far as evidence shows, produces nothing but sorrow and destruction? I think the answer to the question will be found in the propaganda of men and women who can make an easier living by talking than by working. During the reconstruction period, we must learn how to prove conclusively that our present civilization is based on justice and equity for all and thereby nullify much of the eloquence of the professional agitator.

There are many conditions, not enumerated, that have been quietly developing during the past fifty years, but I have cited enough to indicate the size of the task before us. It is a man's job. All can help who will, by the practice of very old virtues, which never need reconstruction, such as thrift, prudence, and regard for the rights of others. But the chemist can do all of these and much more, which no one else can do. Let him think of the factories to be run on constantly improved methods, the farms and enterprises of all kinds to be made more productive, the wonders to be unbarred by research, the future of the whole world to be ameliorated and broadened by his discoveries, and he may well feel proud of his profession. Joined in a great society like this, with twelve thousand of his fellows, no task should daunt him. He has not failed hitherto; he will not fail in performing his unique and absolutely essential part in solving the problems facing the world.

CHARLES DYER NORTON

ENTHUSIASM

Charles Dyer Norton was born in Oshkosh, Wisconsin, in 1871. He graduated from Amherst in 1893 and was with the Northwestern Mutual Life Insurance Company in Chicago from 1895 to 1909. He was Asst. Secretary of the Treasury from 1909 to 1911 and Secretary to President Taft 1910–1911. From 1911 to 1918 he was vice-president of the First National Bank of New York. He was president of the First Security Co. of New York, director in many important corporations and trustee of many educational and philanthropic foundations. Born in Wisconsin, educated in New England, in business for fifteen years in Chicago, for four years a member of the administration in Washington, Mr. Norton, in both the geography of his career and the variety of its interests, was not untypical of the New York man of affairs. He died in March, 1923. This address was delivered to the agents of the Northwestern Mutual Life Insurance Co., in Milwaukee, Wisconsin, July, 1904.

HAVE you ever looked into a dictionary to learn what the word "enthusiasm" really means and is? In the old Greek sense it is the visit of a god—Bacchus preferred. To be enthusiastic, is to permit the divine fire to flow through one's veins. It is an affair of the heart. The mind grasps certain facts; reason draws certain conclusions and imagination binds them like faggots into a torch, and lights them with the fires of enthusiasm. In that genial glow, the heart warms. Faith and hope revive. Energy takes command. The impossible becomes possible. Mortal men become heroes, and the work of the world is done.

There is, however, another phase of enthusiasm. John Bunyan, the peaceful conqueror, was an enthusiast, but so was the cruel inquisitor of Spain. Sir Philip Sidney was an enthusiast, but so was Captain Kidd. Enthusiasm for his art inspired Leonardo da Vinci, when he painted the Last Supper, at Milan,

and the French soldiers destroyed it with equal fervor. Enthusiasm has lured bankers, honest and able bankers, to destruction. A wise and effective business man will not permit enthusiasm to constantly possess him. He will pass hours in careful study of facts. He will satisfy his judgment to the uttermost. He will give ample opportunity to others to do the same, and if the same facts fail to inspire others, he will examine them more closely and see whether his judgment has erred.

I do not wish to go too far afield for a comparison, but I like to think that in the upbuilding of these life insurance companies of ours there is going forward a communal movement similar to that which eight hundred years ago, in France, resulted in the erection of the great Gothic cathedrals. For centuries those majestic churches have stood guard over the villages and cities which created them. We know very little of the men who planned them, but we know that they were the leaders of their time, just as the foremost men in the business world to-day are managing these great insurance companies. We know that there was immense local pride and rivalry. We know that to the common project the artisan gave part of his time every year; the farmer gave a part of his yearly crop, just as to-day almost every American home is contributing to the upbuilding of these great institutions of ours.

We know that no architect in the early Gothic period foresaw the triumphs that were to come to his successors. The principles of the art were worked out in actual experiment, until it was found that such glorious structures as Amiens and Chartres and Rheims were possible. In time the lofty pillars of the nave stood like a forest of elms carved in stone; the soaring spire became the embodiment of human hopes; the rose window radiated a glory which no modern glass-painter has ever equalled.

The people came to pray and lingered to exchange the news. Children, tired of play in the open square, would steal into the cool shadows to watch the pencils of dancing sunlight. Widowed women, in the extremity of grief and weakness, sought consolation there, as they faced the uncertain future, for death spelled disaster in those old days. Old men came, in the eve-

ning of life, to gaze at the mighty pillars, into which they had poured their young strength.

Some of these cathedrals have not endured. Some, even now, after the lapse of centuries, are yielding to slow time and decay, and some are standing as they will stand for unnumbered centuries to come, firm as the hills—a true and noble type of all that is finest and most enduring in human endeavor.

We, too, gentlemen, are builders; stone by stone we have seen the great structure of our Company rise under the direction of master hands. Our architects have not sought for size, but enduring strength with which to span the centuries; safety; traditions of conservation so strong that they become iron, if unwritten laws, in the very constitution of the Company itself. Steadily, year after year, they have selected the better material and rejected the worse, until two hundred thousand of the sturdiest and most conservative homes in America are vitally interested in this great structure.

Stop a moment and think of that widow, kneeling in the great French cathedral eight centuries ago, her sorrow embittered by the consciousness of a future of actual toil in the field, and think of the American mother, in that same tragic situation today, her home protected by a magnificent communal institution, which, though invisible, dominates modern society, as the cathedrals tower over the ancient villages of France. Consider what it will mean, when the time comes, as come it must, if we are faithful to our duty, when every American home will be so protected. Consider the effect upon the Republic when no home is destroyed by unexpected death, when no boy is deprived of the education for which his father planned, when no girl is thrust into a sordid situation in the struggle for existence.

Think of these things for a little time, and if your heart grows warm, if a current flows through your soul, transforming the carbon of everyday routine into a glowing radiance, yield to that inspiration, gentlemen, for that is the true enthusiasm! It will gain you a hearing from the most inert. It will win you honest victories, and make you desire none other. It will bring you joy in your work. It will double your efficiency. It will transform you from the man you are into the man you wish to be.

JOHN BAKER OPDYCKE

THE RELATION OF LITERATURE TO ADVERTISING

Mr. John B. Opdycke is well known as an author under the pen name of "Oliver Opdycke." He has written on advertising and business. We print a portion of an address before the Educational Section of the Convention of the Associated Advertising Clubs of the World, at Philadelphia, June, 1916.

FRA ELBERTUS once Hubbardized in this fashion: "All advertising is literature; all literature is advertising." It is not permitted here to prove this dictum fully, but it is only the hour, not the difficulty, that forbade. Its truth should be self-evident, but to many connected with high schools it is not. A word in elaboration cannot be resisted, therefore.

Advertising has always appropriated the best, the cleverest, the most salient from literature.

Literature has likewise plagiarized from advertising.

Really, literature is diluted advertising, very forbiddingly diluted sometimes—for advertising gets read and literature doesn't, always.

Many times, when literature *is* read, it is the name of the author that attracts, or the conscience of the reader that forces, not by any means always the literary content of the book.

But advertising is read for its phrase-worthiness; it is anonymous; it is literature in essence or extract, undiluted, pure.

Every bill-board is a book in capsule; every book is reducible to a poster.

Ours is a tabloid time as well as a paradoxical period. This is why so much of our literature is so "advertisy" in tone and character; why so much of our sales literature is so romantic and even poetic! There has been a growing together, a tendency toward, between the two, all unconscious and coincidental, doubtless.

It would seem as if "Kultur" had sent an angel down; commerce, a mortal up; and from the traffic in mid-air there had developed a new tongue.

This similarity between the English of Literature and the English of Advertising and Selling is startlingly true of the present.

There has been a concurrent renaissance in literary and business expression in our own time, born and bred of the restless, nervous character of our life.

The spirit of an age was never more highly reflected in its expression than at present. Wilde, Bennett, Galsworthy, Shaw, Chesterton, O. Henry—who are these but advertisers and sellers? Brisbane, Hubbard, Eaton, Schulze, Feland—who are these but modern litterateurs?

The one group writes about people and problems; the other about people and products.

The expression of the one group has pith, point, perfection of paradox, staccato lightness of touch, exquisite debauchery of verbal connotation, and crystal-clear directness; so has the expression of the other.

The one is as dynamic, as porcupine, as "close-up" (to use a photoplay term) as the other.

And all of these writers are so electrifying that one cannot tell for the life of him whether he would rather write adververtising as Shaw writes literature, or literature as Shaw writes advertising!

Take Wilde's word to artists, "Create life, don't copy it."

Take Shaw's "tersity," placed on the tongue of Napoleon, "Be everybody's servant under cover of being everybody's master."

Take Chesterton's quip, "A title is an extinguisher; a coronet, a hiding-place."

Take the following literary adagraph from O. Henry:

> There is a hotel on Broadway that has escaped discovery by the summer-resort promoters. It is deep and wide and cool. Its rooms are finished in dark oak of a low temperature. Home-made breezes and deep-green shrubbery give it the delights without the inconveniences of the Adirondacks. One can mount its broad staircases or glide dreamily upward in its elevators, attended by guides in brass

buttons, with a serene joy that Alpine climbers have never attained. There is a chef in its kitchen who will prepare for you brook trout better than the White Mountains ever served, sea food that would turn Old Point Comfort—by Gad, sah!—green with envy, and Maine venison that would melt the official heart of a game warden.

Take a thousand and one other similar lozenges of literature of this very time, and you cannot help sensing the smack and savor of the stuff that advertising is made of.

They are exactly the same in quality as the clever advertising and sales slogans, so persistently around and about us that we unconsciously incorporate them into our written and spoken expression. They differ only in motive and position.

It is a far call from the epigram of Shakespeare to the pepigram of Hubbard, yet, were the clarion sounded, there would be a well-deserved shock for those academic agonizers who in high-brow *molto fortissimo* condemn advertising and selling as conducive to down-at-heel form of expression and unidealistic content for expression.

Such sales literature, for instance, as "Character and Cars," that masterpiece of automobile advertising written by Hubbard for Chalmers, reads quite as absorbingly as much literature. The management of the subordinate sales motif—the *automobligato*—makes it a subtle, artistic, elusive piece of work, and one difficult of attainment.

It is far simpler and easier to write a straight story, certainly, than to write a story with an underlying sales exposition and argument woven in and through and about it, that must serve as the telling *and* the selling point at the same time that it entertains and instructs.

The straight, simple story may deceive and emotionalize; the sales story must achieve and commotionalize.

To-day the copy-writer who turns to literature for assistance and guidance is quite as wise as the author who is not too proud to take a lesson or two from advertising and salesmanship.

Protruding from advertising pages everywhere are stalactites and stalagmites of word and idea that point penetratingly upward and downward, forward and backward, into literature.

Embedded in all literature lie rich mines of advertising and sales expression awaiting discovery.

EUGENE HARVEY OUTERBRIDGE

THE PORT OF NEW YORK

Eugene Harvey Outerbridge, merchant and director of many corporations, was President of the Chamber of Commerce of the State of New York 1916–17 and was for several years Chairman of the Port of New York Authority. He was born in Philadelphia in 1860 and has been engaged in business in New York since he was a boy of 18. He has long been recognized as a most accomplished speaker. This address on the great port of New York was delivered at Newark, N. J., April 25, 1922. It was at once sent by radio WJZ on a long journey about the world. The public speaker has long been able to command the attention of an immense number of readers through the newspapers. In the future it seems likely that the actual tones of his voice will through the radio, reach a still wider audience. Another speech by Mr. Outerbridge is given in Volume III.

FELLOW CITIZENS:—Broadcasting great distances by radio marks so big an advance in the arts and sciences which contribute to the advancement of civilization that the use made of it should be commensurate with its value and importance.

We Americans are rather prone to accept these great achievements as a matter of course, without making any great stir or without organizing ourselves to properly celebrate such things, as would certainly be done almost anywhere else in the world.

I have been asked to talk about the Port of New York; that is a big enough and important enough subject to everyone within reach of my voice to justify the use of this great invention as the means of telling the story.

It is probable, however, that a large majority who may be listening have no realization at the moment that the Port of New York has a personal significance to them and touches intimately the home life of everyone.

Everyone knows the City of New York as a sort of magnet,

exercising an irresistible attraction to people all over the country to come and pay a visit whenever they can. All who have ever been here and many who have only heard of it have a romantic appreciation of its attractions. It is recognized as a unique place. The Port of New York is little known but is not less romantic or unique.

The word "port" is generally regarded as synonymous with a single harbor on which is situated some single city. The Port of New York, unlike any other on this continent if not in the world, has not less than six distinct harbors—the Lower and Upper Bays, Newark Bay, Jamaica Bay and Flushing Bay and Raritan Bay, each one almost as large as any ordinary harbor, and all connected by a series of sheltered waterways which together furnish shore lines about 900 miles in length, and the Port District embraces 105 separate municipalities, of which about half border directly on some portion of the waters of the Port. One of these municipalities is Newark, with about 420,000 population, where this splendid broadcasting station is located.

Traveling ten hours a day on a vessel of ten knots speed it would take eight days to merely coast along the shore lines of the waters of the port, or the average time of a fast trans-Atlantic steamer on a voyage to Europe. If stretched out along the Atlantic Coast, New York's waterfront would reach almost from Charleston, S. C., to Boston, and in a westerly direction on an airline, it would extend from New York to a point more than 100 miles west of Chicago.

Such a trip discloses a variety of scenes of commercial and industrial activities that are both amazing and entrancing. The Island of Manhattan furnishes its wonderful skyline with the architectural beauty of its great buildings. The shores of the Hudson and East rivers on each side are like a checkerboard with piers, industries and shipping, and at many other points great industrial establishments, railroad termini and steamship berthings show activities on a bewildering scale, for it must be remembered that more than half of the total commerce of the nation passes through this its chief gateway, and the productions of its industries equals 10 per cent of the total manufacturers of the entire United States; that over seventy-five mil-

lions of tons of freight enter, pass through and leave the Port by railroad transportation every year; that forty-five million tons enter or leave by steamships every year; that an ocean steamer enters or leaves the Port every twenty minutes during daylight hours every day in the year, and yet as our little steamer passes on our voyage round the Port we come to green pastures and wooded hills and sandy beaches and miles of available waterfront land, which, when developed and furnished with land and water transportation facilities properly related to each other, will be capable of handling many times the volumes of domestic and foreign commerce expressed in the figures above referred to.

But some one will ask how does all this affect me and come into my home life?

In the first place, it requires more than four million tons of food products alone to supply the eight million people in the Port District and this population is increasing rapidly every year. In addition, all of the materials for housing, clothing and completing the home life of the people have to be produced and supplied for their needs.

Few people have stopped to think where the vast supplies come from that are purchased and consumed by the eight million people in the Port District. Few people outside the Port District realize what an immense and constant market these needs produce for the products and activities of the people of the rest of the country.

The district consumes two million six hundred and seventy thousand quarts of fluid milk per day, equal to nearly one billion quarts per year, and this is the product of approximately four hundred and twenty thousand cows from forty thousand different dairy farms.

Nearly one-half a million pounds of butter is needed daily, and this is drawn from the following states named in the order in which the quantities come—Minnesota, Illinois, Iowa, Nebraska, Ohio, Wisconsin, New York, Indiana, Michigan, Canada.

The consumption of flour in the district in the year 1920 was one billion four hundred and eleven million two hundred thousand pounds, and to produce the amount of wheat from

which this was made, approximately two millions of acres of grain fields were required, the Middle West supplying all of this commodity.

Of fresh meats, excluding poultry, the consumption in 1920 was nearly one billion pounds.

Of white potatoes, the receipts in 1920 were over seven hundred and thirty-three million pounds, and of other vegetables about seven hundred and fifty million pounds.

Receipts of live and dressed poultry were over two hundred and fifty-six million pounds.

Dried fruits over fifty million pounds.

Dried peas and beans seventy million pounds, and of eggs over one hundred and fifty-six million dozen, making an average daily consumption of over five million eggs.

This huge supply comes from more different States in the Union than does the supply of any other one commodity. The following are the principal sources in the order of their importance: Illinois, Iowa, Indiana, Ohio, Missouri, New York, California, Tennessee, Kansas, Pennsylvania, Kentucky, Texas and Michigan. Illinois sends one-fifth of the total supply and Iowa and Indiana each about one-half as much as Illinois.

It will therefore be seen that whether one is a resident and consumer in the Port District or producer or dealer in the vast regions of the country to the West and South, these great needs and this great market directly or indirectly affect the business and prosperity of all.

Furthermore, the prices which the process of trade establish in this great center have a powerful influence upon prices over much of the country. Again, the standards of style and quality that are established here exercise a potent influence all over the country, in small towns as well as in large cities.

It is well known that the women of the country like to feel that their hats and cloaks and suits bear the label of one of the well-known New York establishments, and the buyers of the western wholesale and retail stores are alive to the value of such trade-marks.

Trade and commerce, like flowing water, seek the channels of least resistance. The valleys of the Mohawk and the Hudson River furnished the easiest natural traffic route from the

West and the Great Lakes to the Atlantic seaboard. This was recognized in the earliest period of our railroad building and by the State of New York when it built the Erie Canal. Now the State of New York has completed the great Barge Canal, a splendid waterway with modern terminals and at its seaboard end in the Port of New York a great two million-bushel elevator for grain. New York puts this great waterway at the disposal of the nation free of tolls.

It is therefore through the combination of so many natural economic advantages that this has become the great port and the great consuming and distributing market of the nation.

The natural advantages were so extensive that for many years no one seemed to appreciate the necessity for any particular form of planning for the continued use of them, but with the advance in science and invention and the changes in the methods of transportation and with the unparalleled growth and expansion which has created congestion at some points, it has made necessary the planning of a comprehensive and scientific system for the terminal operations of the Port, in order that saving in time and money may be effected in the handling of business and in order that the needs of an expanding population within and without the immediate Port District may be promptly and efficiently taken care of, and especially in order that the cost of living and of doing all business in the Port may be reduced to the most economical unit. The States of New York and New Jersey have realized their responsibility in this matter, and on April 30, 1922, entered into a compact, subsequently ratified by the Federal Congress and approved by President Harding, creating the new Port District and establishing a Port Authority for its future development, and in March, 1922, the two States adopted the comprehensive physical plans recommended by the Port Authority. These plans will mean ultimately an expenditure over a period of years.

Changes in methods and customs, improvements and economies by a better coördination of existing facilities, and the creation of new and improved facilities will be developed gradually so as not to dislocate business as it must be carried on from day to day.

I hope I have shown in these remarks that the Port of New

York is not a matter of local interest only to those in the Port District but of tremendous interest to the business people of the greater part of the nation; so also these great plans which the States of New York and New Jersey have now officialized for the scientific and economic development of the future of this great port should command the sympathy and the interest and support of the vast number of people who will share in the benefits to be accomplished.

The proper development of the Port of New York is indeed a problem of national importance and the Port Authority will be glad to furnish information regarding the plans to which I have referred if a request is addressed to 11 Broadway, New York.

We should be pleased to hear from the business men and producers and those generally interested who are listening in tonight.

SAMUEL REA

AMERICAN TRANSPORTATION

Samuel Rea was born in Hollidaysburg, Pennsylvania, in 1855 and began his connection with the Pennsylvania Railroad in 1871 as constructing engineer. Except for an intermission from 1875 to 1879 when he was connected with other railroads he served continuously on the Pennsylvania Railroad until his retirement from the office of president in 1925. The following address is an interesting and authoritative survey of the great business of transportation in the United States. It was delivered before the American Society of Mechanical Engineers at its National Regional Meeting held at Altoona, Pa., October 6, 1925.

I DEEM it an especial honor to speak before this distinguished body upon the development of the transportation industry of our country. The growth of American railroads, the unrivaled perfection which they have reached, both in standards of construction and performance, and the part which they have played and are playing in the progress of the Nation, rank among the most important achievements of the engineering professions —achievements, moreover, to which every branch, civil, mechanical, electrical and chemical, has contributed its share.

In equal degree the history of our railroad evolution and growth stands as a preëminent tribute to the foresight, courage and enterprise of American business men, financiers and the investing public, because their functions in the creation of our matchless rail highways have been no less vital and fundamental than have those of science and the technical professions.

The hundredth anniversary of the establishment of transportation by steam railroads is being celebrated this year in England. The date usually fixed for the initial operation in this country is 1827, so that the American railroad industry is now 98 years old. My own personal experience dates from

1871, a period of 54 years. It has, therefore, been my privilege and opportunity to have observed, in active service, the progress and advance of transportation during more than half of the entire world history of railroad development, and that period, of course, covers far more than half of the evolution of steam railroads into the highly perfected instruments of public service which we know to-day.

I may add, as perhaps an interesting reflection upon how fast the world moves and how much can be compressed into the experiences of a single lifetime, that I completed a quarter of a century of railroad work before motor cars were ever heard of by anyone except a few experimenters who called them "horseless carriages," and over one-third of a century before flying by mechanical power was anything more than a dream which most people thought impossible of realization.

After the progress I have seen with my own eyes, merely in the transportation field alone, I would consider any man extremely rash who would attempt to set a limit to the possible further achievements of the engineering professions and of science in general toward the continued advancement and betterment of humanity.

The subject which has been assigned to me, "American Transportation," covers so vast a scope that in a brief talk it is possible to do little more than merely touch upon the most outstanding facts and indicate a few of the principal milestones in the road of progress.

While it is true that railroads had their start in England, they have had by far their greatest and most important development here in the United States. Indeed, the story of American railroads has been written large and boldly upon practically every page of our Company's history; while as factors in the economic life and advancement of the people, and in our national progress, the importance of the part which they have played has not even been approached by the railroads of any other nation.

The total railway plant of the world embraces at the present time something over 600,000 miles of line. Of these, some 260,000 miles, or not far from 40 per cent, are within the boundaries of the Continental United States. As we have only

5 to 6 per cent of the world's land area and population, it is therefore evident that we have some six or eight times as much railroad plant per capita, here in America, as the world's average.

Our use of railroad facilities per capita is on even a larger comparative scale. The average American citizen, for example, utilizes from four to five thousand ton-miles of railroad service per year. That is to say, the railroads of America transport a ton of freight that many miles for each man, woman and child in the country. Compared with this, the average citizen of Great Britain uses 300 ton-miles or less; of France, perhaps 400 ton-miles; while the pre-war German consumed some 600 ton-miles of rail service annually. This means that the per capita use of railroad service in America, measured in ton-miles of freight service, is from seven to fifteen times as great as in the most highly developed countries of Europe, and if we took the world average, including the less developed countries, the comparison would naturally be still more striking.

The difference, of course, is explainable largely by the relatively great distances in this country between the sources of raw material, the centers of production and the centers of consumption, coupled with our highly developed system of specialized mass industry. It measures the extremely high degree of our dependence upon railroad transportation, not only for the state of national progress which we have already reached, but for its day-to-day maintenance and for the continuance of our progress in the future.

Mechanical transportation, as afforded by the railroads, opened up the whole vast territory embraced within our National boundaries to settlement and development, and did so with a rapidity never known before in human history. It continues to be the principal physical means by which the economic life of the entire nation is sustained and the continuity of its commerce, industry and agriculture, and every form of social activity insured.

No one can be more willing than myself to recognize the advent of other forms of transportation or to appraise liberally their value and importance. I am, however, profoundly convinced that their eventual effect will be greatly to increase, and

in no sense diminish the vital importance and necessity of the railroads. Motor transportation, it is quite true, has already required extensive changes in railroad methods and practices, and in conjunction with air transport may not improbably bring about still further changes of important character. It is, however, my firm belief that, as the basic carriers of the Nation, the railroads will indefinitely retain the position of fundamental supremacy and importance.

The railroads of the United States as they stand to-day represent on their books an investment in physical property—that is road and equipment—of some twenty-two billions of dollars. The progress of physical valuation by the Interstate Commerce Commission, thus far, gives every warrant for expectation that these book figures of original cost will be much more than sustained. It is very questionable whether these great properties could be produced anew to-day, under existing conditions, for double the sums at which they are carried upon the balance sheets of their respective corporations. The real value of the railroads to the country as a whole is totally incapable of expression in dollars at all, for the reason which I have just stated, viz., that they are an absolutely indispensable instrument for the carrying on of the daily life and commerce of our people.

The capitalization of our railroads, an entirely distinct thing from cost or physical valuation, is much less than the investment figures. The total amount of railroad stocks and bonds at present outstanding in the hands of the public is only some seventeen billions of dollars. The difference between that sum and the figure of twenty-two billion dollars for investment in physical property invites attention to the vast degree of undercapitalization, the very reverse of "water," which is characteristic of the financial structure of American railroads as a whole. This difference or "spread" will be increased rather than diminished when the Federal valuation work is completed.

It is safe and conservative to say that there is no other great form of industry or enterprise in the world which has been built upon a sounder financial basis, or which possesses greater fundamental strength and integrity in financial structure, than characterize our railroads. Should the solvency of these vast

properties as a whole ever be threatened, the cause will not lie in any flaws or weaknesses inherent in themselves, but rather in elements beyond the control of their managements, such, for example, as a long continued abuse of the governmental power to regulate rates, and encroachments on the duties and responsibilities of directors. Such a disaster, however, I hasten to say, has in my opinion no longer the slightest likelihood of occurring. I am glad to voice my belief that we are past the principal crisis with respect to the difficulties and errors of governmental regulation and are definitely on the way to a condition in which constructive and helpful policies will distinctly dominate the regulative field.

A steady improvement in the spirit and purpose of regulation has been quite evident in recent years, and more particularly since the termination of the temporary war-time control of the railroads. It can reflect but one thing; that is, the more friendly attitude of public opinion arising through the widespread better understanding of railroad problems, and of the vitally essential character of railroad service, which has come about so largely in the last decade.

Personally, I have never believed at any time that railroad baiting was really popular in the sense that it represented the will or wishes of a majority of our people. For a long period, however, the friends of the railroads—those who understood and appreciated their value and necessity—were inarticulate. Only their professional enemies, those who thrived and made political capital by attacking "big business" and success, made themselves heard. Happily, all that is now profoundly changed. The public has been thoroughly aroused to the dangers of harsh and repressive regulation of the railroads, and has manifested unmistakable impatience and resentment at any tendency toward continued abuse and injury of these great public servants, for the purpose of furthering political ends or personal ambitions.

But, gratifying as is the change we are witnessing in these respects, it will never do to forget that railroad regulation is still far from perfect, and that we have a long way to go before it can be regarded as upon a truly sound basis. We cannot shut our eyes, for instance, to the fact that the provisions

of the Transportation Act of five years ago, requiring the establishment of rates which will yield a fair and reasonable return upon the value of the railroads as a whole, have never yet been fully carried out. Not even the inadequate return of 5¾ per cent tentatively set by the Interstate Commerce Commission, has yet been realized.

In my opinion two things are required in this regard. One is to raise the contemplated rate of return to a materially higher figure than has yet been set. Does not that certainly seem justified in view of the fact that returns of 7 and 8 per cent on such utilities as gas, electric light and traction properties have repeatedly been declared reasonable, and that such institutions as national banks, which were under governmental regulation and supervision long before the railroads, are permitted and encouraged to earn returns far higher still?

The second requisite, after having raised the proposed return to an adequate level, is to instill into our regulative bodies the confidence, courage and initiative necessary to make such return a reality. When, and if, that is done—and it will have to come gradually—railroad management will be unfettered, and will be again in a position to exercise its true functions properly, and what we call the "railroad problem" will cease to trouble the American people.

The question all harks back to further education and enlightenment of public opinion, and to increased insistence by the business and professional circles of the country, upon recognition of the fact that our national prosperity in the long run can only rest fundamentally and soundly upon the basis of progressive and prosperous transportation.

General Atterbury and Mr. Lee have already mentioned the fact that this Society held its Third Annual Meeting here at Altoona in 1883, or 42 years ago. In joining them to extend to you a welcome back to this great seat of the mechanical engineering profession, as applied to railroad work, it occurred to me that possibly you would be interested in a very brief reference to some of the general trends in railroading which have taken place during that interval.

Forty-two years ago the pioneering era, at least in the East, was nearing its end and our railroads were considerably more

than one-third built, in so far as length of line mileage is concerned. The progress which has taken place since that time has largely consisted in steadily continued improvement of the plant, such as additional line and tracks and enlarging old and building new yards, and in the more intensive and concentrated use of facilities. This, of course, has been particularly true in the last ten or fifteen years, during which the construction of new line has been only very slight, while the additions to the previously existing plant have been enormous.

Summarizing the developments which have occurred since your last meeting in Altoona, I may point out that in the forty-two years line mileage has increased about 150 per cent and the capital has about tripled, while the use of facilities, or volume of railroad service rendered, measured in ton-miles and passenger-miles, has been approximately multiplied by ten. The freight train miles have less than doubled, but the tons per train have been multiplied by four, and the length of the haul for each ton of originating freight considerably increased.

These comparisons, in necessarily very round figures, outline the story of railroad development in the last four decades. They reflect, of course, the achievements with which we are all familiar—far more powerful locomotives, larger and stronger cars, and longer trains, together with heavier rails, improved roadbed, strengthened bridges, larger yards and improved structures generally, necessary to handle mass transportation on a constantly growing scale. In all of these achievements the railroads of our country have led and are leading the world, which accounts for the fact that we have the cheapest rates, the best service and at the same time pay the highest wages.

Looking to the future of American transportation, we have several controlling factors to consider, and, if we are to form accurate conclusions, must properly interpret their reaction and interaction upon one another.

The first of these factors, in my judgment, is that the present mileage of our railroads covers pretty thoroughly those portions of the country most desirable and readily adapted to economic exploitation, *i.e.*, the portions naturally suited to agricultural, industrial or mineral development, and to the support of large

centers of population. It is true that there still are great areas within the national boundaries not traversed by rail lines. Examination, however, will show that these consist almost entirely, if not altogether, of the very rugged mountain regions or desert and semi-desert sections. Practically all of the naturally arable land of the United States, and a very large proportion of that capable of development by irrigation, is now accessible by rail. That is true also of our timber lands and of most, if not all, of our valuable mineral deposits, including coal and oil. Indeed, as we are well aware and should not hesitate to acknowledge, some of the latter are doubtless developed at the present time beyond needs immediately in sight.

We, therefore, have a picture of a great nation already liberally supplied with lines of railroad communication readily adapted to such further development as the progress and growth of the country may require. A glance at any railroad map will confirm this viewpoint.

The second factor broadly bearing on the transportation future is the motor vehicle. As a railroad man, I have not the slightest fear in admitting that for many purposes motor cars are capable of furnishing short-distance transportation to better advantage, and with greater economy and efficiency, than by rail. The country as a whole, however, I think is coming to the realization that the motor car's true function, especially as a commercial carrier, is chiefly as a feeder of the railroads and as a connecting link between the existing rail lines. Save in rare instances, it is, and must indefinitely remain, a far less efficient, less satisfactory and less economical instrument than the railroads for long-distance or bulk transportation of either passengers or freight. Incidentally, I wish to express the further view that, in the long run, motor cars, through the vastly increased business activity, which they have brought about in so many directions, will create for the railroads much more new traffic than they will ever by any possibility take away through direct competition. Indeed, they have been doing this ever since they became an important influence in the manufacturing and transportation fields. The real problem as between railroads and motor cars is not one of competition but of coordination, to the end that each of these agencies of transporta-

tion may be free to develop and progress in its proper field, and in that manner best serve the public needs.

The third factor for consideration is air transport, still largely an unknown quantity. If I were to hazard a guess, however, it would be that its commercial development, as an agency of passenger service will, for at least a long time in the future, be confined to very high grade de luxe transportation for people willing to pay necessarily high rates in return for exceptional speed, the saving in time and the novelty and distinction of a mode of travel open only to the few.

As a carrier of goods, air transport is quite likely to develop, on a considerable scale, in the field of high-class mail and express, and perhaps certain forms of very valuable freight. In all of these respects it seems to promise the creation of a new super-luxurious transport field of its own rather than to threaten a very serious invasion of the fields already occupied by the railroads. Nor should we lose sight of the fact, which is now pretty clearly established by the experience in Europe to-day, that in the stage of evolution now reached or in sight, extensive air transport is, at present, only possible on a commercial basis when aided by government subsidies or guaranties.

Considering these three physical factors, which I have indicated—namely, the present broad development of the railroads, and the probable effect upon them of motor and air transportation—I am therefore inclined to think that we are unlikely ever again to see any very rapid increase in the existing line mileage of the railroads. In fact, as I mentioned a few moments ago, extension of line mileage has been practically at a standstill for some years past.

This, however, is very far from meaning that we are approaching the end of railroad betterment and improvement. On the contrary, the field for advancement is to my mind greater than ever before. There is almost unlimited opportunity, and not only opportunity but need, for the continuance, on a greatly augmented scale, of the intensive development of the established lines. Millions of dollars will be needed, and are needed now, to provide the additional double tracking which nearly all systems require, and the quadruple, sextuple and even higher forms of multiple tracking which to a constantly greater extent

our important trunk lines are certain to need in order to keep up with increased production and with the constantly growing commercial activity and more frequent travel which are so characteristic of the business and social life of the country.

New, enlarged and improved passenger stations are needed at this very day for many communities, both large and small. Many more will be required as time goes on. Curvature should be eliminated on important lines, bridges strengthened, grades lowered, and the work of separating grade at highway crossings be continued with a fair and reasonable division of the expense between the railroad affected and the community benefited. Although locomotives have been vastly improved, particularly in the last two decades, there is still a great field for further progress in this direction, and equally so in the further adoption of improved operating methods, which will enable us to make better use, at all times, of the available motive power. Last, but by no means least, there is the great and, as yet, little touched field of electrification, which in future years should, and will, be extended where conditions economically warrant that step.

It is, of course, needless for me to say that no program of progress can be realized at all without adequate funds, and that brings us back once more to the fundamental problem of railroading, which is that of stabilizing credit by raising the investment return permanently to an adequate level, which of course means increasing the net earnings. In the last fifteen years the return on property investment in the railroads of the United States has barely averaged 4 per cent. Only once has it risen to 6 per cent and on one or two occasions it has very nearly approached the vanishing point. The great task and duty of regulation is to improve that condition, and our regulative authorities, if they are to have the courage to do so, and if they are to pursue a constructive course, require absolutely the strong backing of public opinion, and particularly of our business men and of the professions identified with transportation. It is no more than just to add that the regulative authorities, on their side, quite properly require from railroad managements continued efficient operation, and the rigid elimination of all waste. Happily, as I stated a few moments ago, I believe

the situation warrants genuine optimism, and is far more encouraging than at any time in our generation.

To summarize, therefore, my view is that the future physical development of American railroads will center upon a vast program of intensive improvements and betterments, with ultimately what may amount in some instances to almost a complete re-building of the existing plant, while extensions into territory not yet occupied by rail lines will go ahead very slowly, if at all.

Communication between the existing rail lines, as well as in territory not now served by them and not warranting rail extensions, will, I believe, be chiefly taken care of by motor cars on improved public highways.

Lastly, for those who have the price to pay, air transport will establish new straight lines from city to city, and doubtless across both the oceans which wash our shores.

Incidentally, I expect to see the last vestiges of commercial traffic on inland canals disappear from the United States, and all fanciful projects for canalizing rivers not naturally navigable relegated to oblivion. In a nation so plentifully supplied with railroads with their exceptionally cheap rates, for the service rendered, having practically a motor car for every family, and holding the pioneer honors in the art of flying, such a slow, cumbersome, easily interrupted, expensive and inefficient method of transportation as is afforded by artificially constructed and maintained inland waterways—often closed for half the year by climatic conditions—can no longer have a real place.

Coördinating the various forms of our permanent agencies of transportation will be a gigantic task, but one not impossible of solution, especially in light of the new views now prevailing, which, unfortunately, have completely reversed the old theories once held as to the danger of permitting mergers or consolidations. In the railroad field, consolidations are now declared by law to be the national policy, where once they were largely forbidden. At one period we worshipped enforced competition as a fetish. Now we know that competition has only such value as practical experience may demonstrate, and is now largely confined to service.

Personally, I believe that a proper degree of competition is

and will continue to be necessary among the railroads themselves, as well as between the railroads and the other agencies of transportation. This is a requisite if we are to keep the spirit of initiative and invention up to the highest pitch, and so render possible the continued progress of the transportation art. But competition which merely means useless duplication of facilities and service is a waste, the cost of which is ultimately borne by all users of the service, in addition to which investors in the long run usually suffer partial or total destruction of their capital.

I have publicly stated many times, and take this occasion again to say, that I am thoroughly in sympathy with the general proposition that it is desirable to concentrate our American railroads into a comparatively small number of large systems. As a matter of fact, in my experience on the Pennsylvania Railroad I have been engaged in effecting many mergers and consolidations, extending over a long period of time. By them we have throughout the life of the Company succeeded in bringing down the total number of active companies which have in the past aggregated something over 600 to approximately 70. So, you may see that our Company, and I personally, have advocated and practiced consolidation for many years, in so far as State and National laws permitted.

I am, however, definitely opposed to any movement looking toward putting consolidations into effect on an arbitrary or forced basis; or to any thought that intelligently planned, conservatively financed and properly managed railroads should be penalized by being made to bear the burden of losses incurred in the operation of lines which, perhaps, should never have been constructed at all. In this connection, I heartily commend the views of President Coolidge and the stand which he has taken upon this subject, and has made known through the columns of the newspapers, which is, briefly, that voluntary and permissive consolidations, with the encouragement and assistance of the Governmental authorities, and coupled with proper safeguards for the public interest, constitute the sound and proper method of procedure.

In conclusion, it has been a pleasure and honor to have this opportunity of assisting in welcoming the members of your

great profession to Altoona, which I think I may say is the world's leading center of mechanical engineering, as applied to the industry of transportation. Altoona, ever since it was founded 73 years ago by our Company, has symbolized mechanical progress on the Pennsylvania Railroad, and I may fairly add, to very large extent on the railroads in general.

This City and our Company are to-day the hosts of your Association and profession. Engineering and transportation in general have alike made vast forward strides since you last met here, 42 years ago. We are proud indeed to have you as our guests again, and trust that this occasion may be long and pleasantly remembered in your organization's history and may serve to cement still more closely the bonds which have always existed between the profession of engineering and the Pennsylvania and other American railroads.

WILLIAM C. REDFIELD

FACTS AND IDEALS

William C. Redfield was born in Albany, N. Y. in 1858 and was for many years actively engaged in business in New York City. He was a member of Congress 1911–13 and Secretary of Commerce in the Cabinet of President Wilson 1913–19. Mr. Redfield is the author of "The New Industrial Day," published in 1912, and he is well known throughout the country for his addresses on various topics, many of which might be included under the general theme which gives the title to this book. This address was given before the student assembly, College of Business Administration, Boston, Mass., on September 25, 1916. Other speeches by Mr. Redfield are printed in Volumes III and VII.

I HAVE been cudgeling what serves me for a brain in an effort to find something to say to you that would "stick." Of course it must be worth sticking or it will not stick, and herein lies the difficulty. One does not wish to place before you a series of bromidiums, nor to repeat that which instructors will tell you far better in the coming weeks.

Casting about, therefore, for something real, and looking back for that purpose over a long business life, two or three brief phrases have occurred to me, which as they are looked at from different angles seem to present principles so clear, so sound, so proven, as to be worth stating. Let us take then the subject for this evening's talk the following terse business maxims: Get facts; look far; think through.

In these six words lie packed masses of worldly and of spiritual wisdom. They are easy words to say but the processes they represent are most difficult to do. They involve abandonment of mental habits, the forsaking of preconceived ideas, the acceptance of many a current doctrine, the assertion

of individuality, the restraint from hasty conclusions, the formation of unwonted habits; they call for effort, training, and long practice.

I think it is true no man has ever succeeded largely in the business world without having all three of these principles present in his work to some degree. On the other hand, the presence of one or another of them without the rest often works serious damage. For these principles are full of power, and power that is uncontrolled works harm. For one to get facts may make him but a grubber into old tomes, if he does naught else. For one to look far may mean to become a visionary, if that be all he does. For one to think through may make him a dreamer in an active world or lead to indecision. The facts must be used with the thorough thought and the far outlook if the balance of mental power in business life is to be fruitful. Let us, then, look briefly at these three principles to see something of what they involve.

First, then, get facts. If we apply this principle as a measure to the business world we shall soon see that the men who live up to this principle are relatively few and lonely, and that most of us deal to a greater or less extent with fancies or with fallacies which we hope or believe are facts. Few of us will go as far in practice as the man who said to me, "If I don't know why I know what I think I know, then I want to know." Most of us are content with assumptions and few follow the scriptural maxim to prove all things and to hold fast that which is good. Yet facts, as has been well said, are stubborn things, and you may make up your mind now that if during your business lives you do not get the facts, the facts will get you.

It is not always easy to get the facts. On the contrary, it is commonly hard to get them, and because it is hard we are apt to accept assertions as to the facts from those whom we think ought to know instead of exerting ourselves to learn them directly. A business man feels, for example, that his competitor uses unworthy practices and is tempted himself to follow the bad example lest in competition he be outdone. He does not certainly know his competitor does these things. He is told it and believes it because perhaps he cannot otherwise explain some success that competitor has won. It is commonly a mis-

take, and if he sought patiently for the facts he would often find them and save him from an error of judgment respecting another and from business mistakes upon his own part.

Another man—many a man—thinks he knows what it costs him to do business. He does not know that he knows. He merely thinks he does. He gets along, perhaps for years, without actually learning the truth about the cost of his own business. You will say that self-interest, common sense, and other equally strong motives would make him learn the truth. I agree they ought to do so, but the fact is they do not. The Chairman of the Federal Trade Commission says half the business concerns do not know what it costs them to do business, and the experiences of the accountants of my own department justify the statement. I once worked as bookkeeper for a man who would not allow a trial balance to be taken, although for my own protection, under the advice of wiser men, I took this balance privately. He never knew, or inquired, what the full facts were respecting his own business. I was accountant for a man who after thirty years' experience sold for $8,000 an apparatus which, including overhead, cost him $9,000 to produce, and he was angry when a younger man than he suggested the facts to him. A friend was employed to examine into the operations of an industry only to find the methods of the management were bad; but that management strenuously objected to being told so. One must not go so far as to forget that there are in the business world thousands of men accurate and careful in the matters we are discussing, but there are more of the other kind, and some of them sit in high places.

Again there are the men who want all facts which concur with their preconceived opinions and who resent facts which do not so agree. Such concerns have little use for the cold and searching light of science, to which all truth is of equal value. They are content with a portion of the facts and object to being shaken out of the rut in which they run.

Furthermore the business world is full of facts which fight. There are moral facts which oppose immoral facts; honest facts which hate dishonest facts; partial facts which hate whole facts; crooked facts which abhor the straight ones. Yet the stern teaching of experience is that the crooked and the dishonest

facts when the light is thrown on them prove not to be facts at all but only pseudo facts, having the appearance but not the reality. To get facts, then, is fundamental. With them you stand on solid ground. Without them or with them but partially your footing is uncertain. You must have a docile mind, however, if you are to follow this rule, a mind open to truth, even to unpleasant truth, even to truth which sets awry that which you have believed and been taught. Yet the strong man sets his mind four-square to the truth and abhors that particularly villainous form of falsehood which tells but half of it.

First and foremost, then, as a mental quality and as a business practice, let me urge upon you this simple yet complex duty, Get facts. Do not be afraid of them, for they have no fear of you. If you have them with you you are safe. Without them you are always in danger. Know your job. Don't merely think you know it. There is always place in the world for the man that knows and who knows that he knows. This done you have well begun. Candidly, you will probably spend a lifetime in the doing of it and meanwhile have other serious work to do.

Next among these I have set the principle "Look far." Let no pent-up Utica confine your powers. The way in which you treat this second principle will show if you are large or little men. A little man may get facts, but he cannot use them largely for he is too small himself. A blind man may have certain facts at hand of which he knows, but he cannot use them well since he is blind. In the mental world there are relative shades of blindness. There is a great deal of near-sight, a very large mass of ordinary sight; but the men of far mental sight, those who are called men of light and leading, are few and far between. Yet on your ability to see far depends your power to use the facts you get. You may, for example, some day run a factory and be concerned with paying wages. You may, if you do not look far, even speak of the men you employ as "hands." There are plenty of short-sighted men who call them so. If you look far, however, you will see that it would be wiser to think of them as minds, or even as souls. For men do not work with hands alone but with heart and brain. You can never lead hands; but you may, if you have facts and

look afar, come to lead men. If you look far you will never describe human beings in terms of arithmetic, for you will see that the arithmetic is dead and that the men are living. You will not, if you look far, think there is such a thing as a day's work, for there is no such thing and will be none until all men work alike everywhere. There are as many kinds of day's work as there are kinds of men, but men are infinitely variable. If you look far you will not think that a fixed rate of pay produces a fixed result, for you will know that men are unlike and that what one can do another cannot, and that what a second will do a third will not. You will see that in dealing with men you are dealing with character and temperament and health and heredity and a mass of other things that make up the complex being we call "man" and which sometimes in our nearsightedness we describe as a two-dollar man or a three-dollar man.

If you look far you will see beyond a whole mass of current phrases and ideas which are the outward and visible expression of the average mind but across which he who looks far sees clearly a more distant and more fruitful horizon. Nay, the very act of looking far will make facts precious to you, for the broad vision will bring them to your sight and make you value them.

There are all sorts of phrases which describe nearsight but which farsight over-rules. Nearsight says, Charity begins at home. Farsight adds, But does not end there. Nearsight would say, A bird in the hand is worth two in the bush. Farsight would say, What kind are in the bush and can I get them? Nearsight would say, Thus I have been taught. Farsight would say, Is this teaching true? Nearsight would have you live in a parish and be a parochial business man. Farsight would have you live in the world and draw upon the richness of it all for the enlarging of your life. It is one of the great phrases of the Old Book, and an inspiring one, which says, "Thou hast taken me and thou hast set me in a large place."

Having acquired the habit of getting facts and having caught the vision of things from afar, make your thinking straight. How many men there are in the business world who think in circles or at best in curves; whose minds lack the penetrating

facts when the light is thrown on them prove not to be facts at all but only pseudo facts, having the appearance but not the reality. To get facts, then, is fundamental. With them you stand on solid ground. Without them or with them but partially your footing is uncertain. You must have a docile mind, however, if you are to follow this rule, a mind open to truth, even to unpleasant truth, even to truth which sets awry that which you have believed and been taught. Yet the strong man sets his mind four-square to the truth and abhors that particularly villainous form of falsehood which tells but half of it.

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power which goes to the heart of things. If you have gotten facts and have the farsight use the latter on the former to make all things mentally clear. If you do not think clearly you cannot talk clearly. Good salesmanship is not a product of mental indigestion. Do you want to be able to state the facts of business to men of business, then you must think through those facts so that they are wholly controlled by you, so that they have become a part of your mental self, so that you will not stumble over your own mental obstructions in the very act of stating your case. A business problem will arise before you. First get the facts about it and treat them in a broad way, not in a narrow way. Do not stick them in a groove in which you like to run because it is easy and attempt to push them ahead of you in that same old line. Get them all and spread them on your mental table; get their bearings and adjust them in their actual relations, so that you may know how they lock and interlock. In this process you are thinking through those facts, and if you continue it to the end you will control the use of those facts. Again and again one sees in life men who mean well, who are willing to get the truth and willing to use it broadly, who do neither effectively because they have not thought the thing through. This thorough thinking is one of the finest safeguards a man can have against error, because as he sits down with his facts and chews the cud upon them over and over again they fall into relations, the false separates itself from the truth, the trifling from the essential, the strong from the weak, and by a process of mental discarding the useless are set aside and true values come to light.

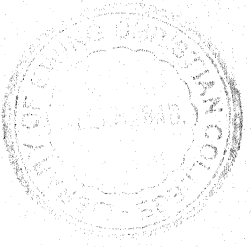
Again and again I have faced men in business problems who had thought pretty well but not thoroughly upon the thing in hand. Many times also I have met men who were masters of the thing with which they dealt. Thorough thinking would remove many a phantom which, though a ghost, still exerts power upon our thought. Thorough thinking will destroy many a false ideal. Slavery could not endure thinking through that subject. The duelling practice, with its false sense of honor, could not endure thorough thinking upon the subject. Many a business and political fallacy will die an early death to him who thinks it through. Many a teacher, I fear, may be embarrassed to

have his pupils do thorough thinking, but it will do both the teacher and the pupil good to have this so. The process is not one which lends itself to smartness. To think through a thing is not always a quick process. There are men with minds like light, which seem to penetrate into the recesses of a subject. One of slower mental habit need not worry. He may in the end go deeper and stand on firmer ground. Quick comprehension is a most desirable business quality to be sought and valued, but it is not the same thing as thorough thinking and it does not take its place.

Finally, permit me a few words on the ideals of business. The business life will, if you treat it fairly, call forth your best. It will mean the search for truth. It will mean a broad and human philosophy. It will mean keen, incisive thought. All these are good. But your business is not to be your life. It is the means whereby you live, but your life is something else. To be absorbed in business so that you live for it is to be intellectually and spiritually maimed. One who does so is not a whole man but only part of what might be a complete man. Of course to gain has wonderful interest. It is fascinating to pit mind against mind, knowledge and acumen and reflection and energy against the similar powers in other men. It is a splendid and in the best form an ennobling part of life, but it is only a part. There is a certain shallow criticism among us, which does not get the facts and does not see far and does not think through, which would teach at times that business is sordid and its motto "An eye for an eye and a tooth for a tooth." Yet this city and others are full of the works of men who, after they have won in the business arena, have given their ideals play in enriching the towns which gave them birth or in which they live. Every such gift is a protest against the shallow cry that business is wholly sordid. Yet in saying this I have not given you even a glimpse of all the facts about it. There are to-day factories all over this land, thank God, who think through the problems of business with a far vision of the facts and who have grasped the ideal of service to and through those whom they employ and are holding up before them and to the world examples of leadership that make the business life stand on a level with all that is best in statesmanship and art

and music and the law and the ministry and the other great and beautiful productive professions.

It is true of course, it is a part of the facts, that there are those—many of them—in business who only seek to get and who never think to give either of themselves or of that which they possess. So there are weak, wicked men in other high professions, men that prostitute art and medicine and perhaps the pulpit; who separate themselves from the great facts of life and with narrow vision think only on the surface of their own petty and selfish desires. Still, if the mills of the gods grind slowly they grind exceedingly small. If we watch the facts of the growth of public thought and the increase of broad vision and of the habit of thorough thinking we shall see, if we look far enough, that these things are doomed; that selfishness is taken at its true lack of value; that littleness is known to be a small thing; that wealth without vision or ideals is power misplaced and is sternly judged as such. So we may hope that as the love of truth and obedience to it shall grow and as with firmer footing thereon we look afar and think clearly on what we see, we shall see our beloved America advancing to that primacy among the nations which awaits the nation which honors the facts, which looks afar, and which thinks clearly.





GEORGE McCLELLAND REYNOLDS

GEORGE McCLELLAND REYNOLDS

UNLEASHING BUSINESS FOR WAR

George McClelland Reynolds was born in Panora, Iowa, in 1865. He has been in the banking business since 1879 and in 1920 became Chairman of the Board of Directors of the Continental and Commercial National Bank of Chicago. He was offered the portfolio as Secretary of the Treasury in President Taft's Cabinet and has held many positions of public trust. In recent years Mr. Reynolds has become well known as an authoritative speaker on matters of finance. The address which follows was given before the War Convention of the U. S. Chamber of Commerce, Atlantic City, September, 1917.

BANKERS and other business men face, in this war, prodigious problems that may multiply as the conflict proceeds. That they will cope with these problems and solve them with the Government's aid is not to be doubted by any who knows their patriotism, courage and resourcefulness. All they ask of federal and state authorities is coöperation that will allow such degree of latitude as will avoid crippling industry. The roll of America's killed and wounded can be held down to the minimum only by keeping business vigorous until we are victorious.

A full measure of permanent coöperation between the Government and business deserves an especial plea, for prejudice, suspicion and discriminating legislation and regulations upon the part of the one will result in uneasiness and unsteadiness of purpose upon the part of the other. There was never any other time in our history when the Government so urgently needed the help that it will receive from an undiminished effort to reach maximum production in all industries, for every pound of material that can be turned out by all the mines, mills and factories can be used, and then, I fear, there will not be enough to meet all demands. Even now there are unmistakable signs

of hesitancy. Business men are afraid to place orders because they do not know with sufficient certainty what will be the policy of the Government upon many subjects vital to the safe conduct of business, or when those policies will be announced. Stability and fairness in laws and regulations, and fewer legislative changes, will enable business to get its bearings and put its entire strength back of the President. The best element in Congress and the various legislatures, the element that stands for progress and the accomplishment of those things that are worth while, can perform no better service than to prevent the enactment of laws and the enforcement of regulations that are too harsh and restrictive. Uncertainty, the mother of fear, breeds timidity, halts business, and, if not removed, results in depression. There is no occasion for worry if the policies to be adopted and carried out are wise and definite, and made known without too much delay. There is abundant cause for worry, however, if this should not prove true. We might as well face the proposition squarely and unflinchingly. The nation (and business is part of the nation) that deceives itself, lulls itself into a false belief that it can withstand the shock of dire threats of all manner of regulations and of conscription of property and income, submits to delay as to when or where such threats will stop and how many of them will be carried out—the nation, I say, that misjudges the effect of that sort of talk and assumes that all will be serene, will be lost in any great undertaking.

As loyal citizens, let us importune Congress and the Administration to settle these matters of doubt speedily, with the facts clearly in mind, and coöperate with business by giving it that encouragement which will enable it to go ahead with determination and confidence. Whenever prejudice is injected into the settlement of any question, trouble begins. In the past, too much prejudice has been engendered against big business. For the sake of harmony and efficiency, no more attacks should be aimed at business merely on account of its size. Heretofore there has also been much restrictive legislation against business on account of the magnitude of some of its units. We are more enlightened upon this point now, and there is more of a disposition to encourage the great manufacturing and mercantile enterprises as a patriotic duty. This is no time for

partisan politics. Party differences should be confined to fundamental principles, and should not be permitted to descend to the petty quarrels of obstructionists. President Wilson is broad-gauged, and is coöperating with business in such a way as to inspire the greatest effort upon the part of business men. This coöperation is rapidly overcoming the baneful influence of past persecution. It is demonstrating how very much better business might have prepared to do its part if it had been less subject to attack in recent years.

We are facing forward, and should now and forever wipe out all these damaging notions about business needing a particularly strong brand of legislation and regulations simply because it is big. What would we do to-day without the tremendous aggregations of capital engaged in transportation, mining, steel making and lumbering? We should be at the mercy of the enemy, for, stripped of these concerns of great size, it would be utterly impossible to get deliveries of copper, iron, steel and lumber in sufficient quantities. We must have big business, and the bigger the better in this war crisis. In all my talks with business men I have found no intimation of a disposition to hold back, nor have I heard one word of criticism by any business man regarding the amount of money that is being spent by our Government in this War. The reverse is true. Unreservedly and patriotically they are supporting President Wilson.

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Look now at what the bankers and bond houses have done. Here I can point to quite as much unselfish coöperation upon their part, and in one transaction, at least, coöperation that involved heavy expense. They knew the law stipulated that no commissions should be paid for floating the Liberty Loan, and that the provision for expense was so meager, considering the magnitude of this piece of financing, as to preclude reimbursement for even the postage they might use in connection with the sale of the bonds. Still these men formed big groups, took their salesmen out of the regular bond market and labored night and day to secure full subscription to the loan.

In addition to their usual functions of supplying the normal demands of our own population, and the unusual burdens of

furnishing the tremendous quantities of food and equipment for our army and navy, upon the business men of the nation rest certain responsibilities in the matter of helping to mold a sound public opinion on vital topics.

Now is the time, above all others, for us to follow economic law and common-sense principles as our guide. We know that wars create extra hazards, without as well as within the zone of actual danger. There is more of uncertainty in the routine of everyday affairs when nations are arrayed against each other. There arises a pressing demand for the implements of war, for things that require special tools and machinery which will be worth little more than scrap after peace is declared. Munition plants are essential, and somebody must take the risk of their erection, knowing that when hostilities cease their value practically will be destroyed. Furnaces and mills cannot deliver enormous tonnages of iron and steel except by a considerable enlargement of plants. Therein lies the chance of developing a capacity far beyond that warranted by ordinary conditions of trade, and of being caught with heavy tonnages on hand, made ready for delivery on a high cost basis, when the possible slack comes at the cessation of war demands. The uncertainties of war are such that no man can foresee the day of reckoning.

Wages increase and production costs rise. During the ancient conflicts at arms, as well as the Napoleonic and Civil wars, speculation and inflation occurred, food and merchandise grew to be scarce, prices rose alarmingly and there was much complaint. These things have happened recently, and wise treatment of the problems they present is vital to the success of the Allies. Business men who, by reason of years of experience and daily study have intimate knowledge of the matters involved, should have something to say about the method of settling them.

We must not lose sight of the fact that in times such as we have witnessed since August 1, 1914, consumption of food and the use of materials by men at the front increase greatly over what would be the case if the same men were following their regular occupations. The diversion of materials from customary uses is enormous, and there is a heavy drain upon pro-

ductive forces by withdrawals from the ranks of the workers to send men to the front. These two important price factors do not operate except in great wars. Up to the present, due to intensified effort, with all our men employed at the highest wages of which we have any record, we have added to our own output, but this is not true of other leading export countries. Aggregate production, the world over, is diminished, and everybody scrambles for whatever is on the market. The buyer virtually makes prices.

The rise in prices has been due partly to speculation, of course, but mostly to the law of supply and demand, which in the long run, is the only logical regulator. I can readily understand, however, that with conditions strained as they are now in all civilized countries, there might be an excuse for attempting temporarily to set aside the complete control of this law. I agree with those who contend that prices may go to an unbearable level, to a figure that would place the necessities of life, or of business, which in its broadest sense and under our complex civilization, is so necessary in sustaining life, where some power must step in and say the public welfare is endangered. It is conceivable that a condition might be reached that would crush the power of the nation through inability to obtain food to nourish the laborer and his family and materials to keep the wheels of commerce turning.

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We are not fighting for ourselves and our Allies alone but for future generations as well, and in all fairness the burden of financing the War should be divided. Those who come after us and enjoy the freedom which will be bought by our contributions of men, materials and money cannot object if we transmit to them the privilege of sharing in the money cost. If repayment of the extraordinary amounts raised to carry on the struggle be spread out over a term of twenty-five or even fifty years, no injustice will have been done those who may be required to retire the last of the bonds. Precedents approve this course. For decades after the Civil War we were paying taxes to settle the cost, which was infinitesimal when compared with present day disbursements. We ought to be as fair to ourselves as to our descendants.

There is one detail that is fraught with too much danger to be overlooked. The plan to be followed in collecting revenue for the Government should cause as little disturbance as possible in the financial world, and therefore it seems to me that quarterly payment of taxes should be arranged. It is easier to pay five hundred millions each quarter than two billions at one time. Many industries are using not only all of their capital but all of their credit in the conduct of their business, and to be called upon to pay a large sum of money out of earnings that are still in the process of collection will work hardship upon business men and strain the resources of the banks.

So far as is practicable, we should strive for an equitable distribution of the fruits of labor and industry. We cannot deny that labor deserves very careful consideration if we are to get the best results in all directions, and business men can well afford to devote much time and effort to improving the relations of employer and employee. A clearer understanding by each of the problems of the other would be most beneficial. We must all surrender some of our pre-conceived notions of our individual rights touching the service we owe the community when threatened by a common and powerful adversary. There must not be any laggards or slackers anywhere in the ranks of the army of business or of labor.

There is urgent need of speeding up. We are constantly trying to induce the farmer to cultivate more acres with a thoroughness that will enhance the yield of his crops. We plead with the owners of coal, iron and copper mines, steel mills and smelters and the factories for a larger output in order that we may help to win the War. Why is it not fair to ask labor, as a patriotic duty and a war measure, to consent to some changes that would be of incalculable assistance in ridding mankind of the yoke of oppression fashioned by Prussian overlords?

No one claims that there are not occupations and trades wherein the tension is so great and so much centered upon certain nerves as to injure the operative's health if the hours of employment exceed eight. Under such circumstances, eight hours should constitute a day's work. There are numerous occupations, however, of which this is not true; and there

is absolutely no reason why these laborers should not, so long as the War lasts, focus attention upon increasing hours of labor and output. I do not advocate the denial of the best possible working conditions and just compensation even under the stress of war, but some things are impossible and not to be expected, and we should all be willing to make sacrifices to render effectual the efforts of our armies and thus lessen the loss of life and limb among our young men who go to the front.

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The natural result of government financing through the sale of bonds to the people will be to transfer money from the West and concentrate it in the East. Since the West will have no effective means of replenishing its stock of money, except through the sale of live stock and seasonal crops, the tendency will be to create a scarcity of funds in the West and a congestion in the East. This can largely be overcome if government orders are well distributed throughout different sections of the country. It is not so much a question of favoring one city, state or geographical division as against another, as of maintaining the equilibrium of business in all parts of the country. This course will keep the West in funds with which to pay for future issues of Liberty Bonds.

In our entire history we have not had to deal with so vital a problem as the one presented by this War, and decisive victory for the United States and the Allies is the essential point upon which all our energies must be concentrated. It is so vital as to overbalance the ambitions of individuals and groups. It is therefore the solemn duty of every business man, no matter in what he may be engaged, to emulate the example of the hundreds of thousands who have already subordinated their own business, their own interests, to the one great task.

No matter what previous opinions we may have entertained: no matter what we may charge to lack of coöperation between government and business in the past, no matter what our own ideas of the future relations of government and business may be, our paramount duty for the present is to rise above all selfish considerations, all jealousies, all prejudices and give the nation the best there is in us.

WILLIAM Z. RIPLEY

CONTROL OF CORPORATIONS

William Z. Ripley is one of the most eminent economists in the United States. He was born in 1867 and has been professor of political economy at Harvard since 1901. He is an authority on railroad finance and organization and has published many books and reports on these subjects. The following address attracted much public comment because it called attention to a new and striking condition of the conduct of corporations. It was delivered before the Academy of Political Science in New York, January, 1926.

Two changes in the nature and conduct of corporations, characteristic of the post-war period, have a direct bearing upon the future of private business in its relation to the supervisory or regulating agencies of the state. They are both bound to increase the likelihood of an extension rather than a lessening of the powers and activities of such bodies as the Federal Trade Commission. Fundamental these changes are, inasmuch as they strike at the very tap-root of our capitalistic system. For this system is founded upon the theory that the private as distinct from the common, ownership of property best conduces to the public welfare, because such possession involves the giving of a gage or guarantee by the owner to his fellow-citizens for thrifty, efficient, far-sighted and public-spirited management thereof. His is the reward if he be successful. And he bears the loss in case of misdirection. Otherwise stated, it is the fundamental principle, interwoven throughout all human relationships, that power and responsibility must ever be yoked together. It is because these two developments directly assail this principle that I hold them to be sinister and of grave public import.

The first of these changes is the divorce of the ownership of property, represented by securities emitted by corporations or

trustees, from any direct accountability, whatsoever, for its prudent and efficient management. The second change is the wide and ever-accelerating diffusion of a considerable portion of this ownership, represented by stock holdings of employees and of the direct consumers, both of public utility corporations and of private business companies as well. The net result of both changes is the assumption of an absolute control by intermediaries—most commonly bankers, so-called—in place of the former responsibility for direction which, theoretically at least, rested upon the shoulders of the actual owners.

Both these tendencies menace alike the welfare of the private owners themselves and of the working classes; and they put the public interest in the sound and straightforward management of these businesses in jeopardy—not because bankers, as such, are more frail than other people in general, but simply because the possession of uncontrolled power is always certain to entail abuse, whereby both innocent and guilty are alike dragged down. The result, therefore, unless present tendencies are taken in hand, will necessarily be the extension of the activity of such bodies as the Federal Trade Commission, acting for the protection of those who have unwittingly made themselves wards of the state in respect of their possessions.

The practical disappearance of the individual and partnership forms of business organization in favor of the corporation took place before the War. Almost a thousand companies are now listed on the New York Stock Exchange alone—163 railroads and 763 other corporations. The present transformation is merely in respect of the seat of power over their direction. All kinds of private businesses are being bought up by banking houses; and new corporations are being substituted for the old, in order that the purchase price (and more) may be recovered by sale of shares to the general public. But the significant change is that the new stock, thus sold, is entirely bereft of any voting power, except in case of actual or impending bankruptcy. General stockholders, to be sure have always been inert, delegating most of their powers of election. But, at worst, they might always be stimulated to assert themselves; and, in any event, they all fared alike as respects profits or losses. Under the new style of corporation, such general stockholders are

badly deprived of all rights in this direction, and new preferred stocks are sold up to the hilt of the value of the assets, if not beyond. The issues are called preferred stocks. They are really bonds. And, instead, as formerly, of being limited to a half or two-thirds of the tangible assets, no limit is now set, except the powers of absorption of the investing public.

Every kind of business is being swept into this maelstrom. Several public utilities, except railroads; chain and department stores, food stuffs, washing machines, refrigerators, confectionery, make-believe silk stockings, toilet and beauty preparations, our daily bread, our cake and our ice cream—even our home-made pies! Every conceivable article, of direct or indirect consumption, is covered by the change. The recent Dodge Brothers, Inc. is typical. A banking house buys up a private business for, let us say, $146,000,000. This sum and more, it recovers by the sale to the public for $160,000,000 of bonds, preferred stock and 1,500,000 non-voting shares of "Class A" common stock. But not a single one of the 500,000 "Class B" voting common shares is thus sold. The promoters have virtually paid themselves a handsome profit for the assumption of the entire directorial power, having mortgaged the property to the full amount of its original cost, including both assets and capitalized earning power.

Perhaps the baldest case of this sort is that of an artificial silk concern, which thus sold (let us hope?) 598,000 shares of non-voting "Class A" stock, reserving 2,000 of the total 600,000 shares as "Class B" stock carrying *exclusive* voting rights. There is no concealment about it. But who, may we ask, has given a hostage to fortune, for honest and economic management of the business? The promoters stand to lose only the amount of their stake—a minus quantity in dollars, leaving aside, of course, the moral obligation. It is the public stockholders who stand to lose their all, in case of misdirection. And most of them have parted with any hope of participation in future profits over and above their fixed return, by agreement in the subscription to forfeit all "preëmptive" rights in the issue of new stock. How can there be other than a whirlwind of abuse of power under such conditions?

As for the second financial fashion—the wide distribution

of stock to employees and to consumers of the corporation's product, whether electric service, steel or what not—the effect is bound to be cumulative with that of insinuation of banking power between ownership and operation. Corporations have always been susceptible to control by concentration of voting power. Far less than half of the capital stock may be as effective for such control as possession of an actual majority. But it is elemental, requiring no proof, that the larger the number of shareholders, the more easily may a small concentrated block of minority holders exercise sway over all the rest. With a dozen owners, probably fifty-one per cent will be necessary for dominance. With 300,000 scattered holdings, a possible fifteen or twenty per cent of the votes can never be overmatched at an election. In 1923, there were 250,000 new stockholders registered in the electric light and power companies alone. The total number of stockholders in all sorts of concerns has almost doubled since 1900, rising to an aggregate of 14,423,000 in 1923. These shareholders now possess over $70,000,000,000 worth of stock at par, on the showing of the Federal income tax returns. Such possession used to be confined to the wealthy and the well-to-do class. Now it comprehends the small householder and large numbers of wage-earners. The former concentration of wealth is now yielding place to so wide a diffusion, as to call for public recognition by way of legislation or oversight. But the important point to note, is that the wider the diffusion of ownership, the more readily does effective control run to the intermediaries, in this case promoters, bankers, or management companies. Until corrected by appropriate revision of our corporation law or practice, this apparently healthful manifestation may contain the seeds of grave abuse.

The foregoing dangerous tendencies are much aggravated, also, by reason of the operation of a number of highly artificial legal devices which serve to isolate still further the property owner from control over his investment. The holding company, voting trusts, trusts set up for the living, the moribund or the dead, the investment trust, and finally the intervention of the life insurance companies as investing agents for their policy holders—each and every one of these has latterly insinuated itself to still further set off ownership from responsibility in

management. It is all cumulative—and, in the aggregate, fraught with the gravest possibilities.

Many remedies for undue concentration of power of direction of corporations have been suggested. There is one which stands forth preëminently. Publicity of accounts and their standardization are likely to be most serviceable as a check upon otherwise unrestrained control. These millions of investors and the public, even if they have so confidingly given their possessions over into the care of others, have a right to full and complete, unmitigated information. There lies an appropriate function for a rejuvenated and enlarged Federal Commission, to discharge an obligation of the Federal Government to a great and in many respects a helpless body of our citizens. This may come about soon. It may be long delayed. But it will occur some day, as one of several necessary correctives for these existing practices.

THE WHITE MAN'S BURDEN

Professor Ripley is an authority on the races of Europe as well as on railroads. We print the conclusion of the Huxley Memorial Lecture which was delivered by him in 1908. This paragraph has often been quoted as a brief and notable summary of racial conditions and conflicts.

At the outset, confession was made that it was too early as yet to draw positive conclusions as to the probable outcome of this great ethnic struggle for dominance and survival. The great heat and sweat of it is yet to come. Wherever the Anglo-Saxon has fared forth into new lands, his supremacy in his chosen field, whatever that may be, has been manfully upheld. India was never contemplated as a center for settlement, but Anglo-Saxon law, order, and civilization have prevailed. In Australia, where nature has offered inducements for actual colonization, the Anglo-Saxon line is apparently assured of physical ascendency. But the great domain of Canada—greater than one can conceive who has not traversed its northwestern empire—is subject to the same physical danger which confronts us in the United States, actual physical submergence of the

English stock by a flood of continental European peoples. And yet, after all, is the word "danger" well considered for use in this connection? What are the English people, after all, but a highly evolved product of racial breeding? To be sure, all the later crosses, the Saxons, Danes and Normans, have been of allied Teutonic origin at least. Yet encompassing these racial phenomena with the wide, sweeping vision of him in whose honor this address is rendered, dare we deny an ultimate unity of origin to all the people of Europe? Our feeble attempts at ethnic analysis cannot at the best reach further back than to secondary origin. And the primary physical brotherhood of all branches of the white race, nay, I will go even further and say of all the races of men, must be admitted on faith—not on the faith of dogma but on the faith of scientific probability. It is only in their degree of physical and mental evolution that the races of men are different. You have your "white man's burden" to bear in India; we have ours to bear with the American negro and the Filipinos. But an even greater responsibility with us and with our Canadian fellow-citizens is that of the "Anglo-Saxon's burden"—to so nourish, uplift, and inspire all these immigrant peoples of Europe that in due course of time, even if the physical stock be inundated by the engulfing flood, the torch of Anglo-Saxon civilization and ideals, borne by our fathers from England to America, shall yet burn as bright and clear in the New World, as your fires have continued to illuminate the Old.

JOHN DAVISON ROCKEFELLER, JR.

THE PERSONAL RELATION IN INDUSTRY

John D. Rockefeller, Jr., was born in Cleveland, Ohio, in 1874. Since his graduation from Brown University in 1897 he has been associated with his father in business enterprises and has been active in philanthropic work. He is Chairman of the Board of the Rockefeller Foundation and director in various humanitarian enterprises. In recent years Mr. Rockefeller has given special attention to social and personal relations in modern industry, as well as to large schemes for religious and social betterment. This address was given at Cornell University on Founders' Day, January 11, 1917.

I AM glad to have this opportunity of speaking to you men, numbers of whom will be the future leaders in industry. Heretofore the chief executives of important industrial corporations have been selected largely because of their capacity as organizers or financiers. The time is rapidly coming however when the important qualification for such positions will be a man's ability to deal successfully and amicably with labor. Yet how to do this is a subject which, I fancy, is never taught or referred to in the classroom.

Like knowledge of the problems of sex, than which no department of life is more sacred, vital or deserving of full and ennobling instruction, an understanding of this subject is left to be acquired by experience, often costly or bitter, or through chance information, gleaned too frequently from ignorant and unreliable sources. Just as the first of these two themes is coming to be taught sympathetically and helpfully in our schools and colleges, so I believe the second, the personal relation in industry, will eventually be regarded as an important part of those college courses which aim to fit men for business life.

After all, is it not the personal relations with one's fellows which, when rightly entered into, bring joy and inspiration into our lives and lead to success, and which, on the other hand, if disregarded or wrongly interpreted, bring equally sorrow and discouragement and lead to failure?

Think what the ideal personal relation between father and son may mean to both. Some of us have known such contact. Our lives have been fuller and richer as the result, freer from sin and sorrow. Others of us know from bitter experience what the absence of this relationship has involved. How helpful to a student is such a friendly association with some professor who commands his confidence, respect and regard, and who is interested in his college work, not for itself alone, but quite as much because of its bearing on his future life's usefulness. What would college life be without the personal relationships which are formed during its happy days and often continued close and intimate through life?

Can you imagine a successful football team composed of strangers, having no points of contact, no sympathy with each other, no common cause inspiring them to strive for victory? Team play, the support of one player by another, would be well nigh impossible. Even in the army, where formerly the man who had become the most perfect machine was regarded as the best soldier, it is coming to be accepted that in addition to being obedient and subject to discipline, the man who thinks, who is capable of acting on his judgment when occasion arises, who is bound to his fellow soldiers and his officers by personal friendliness, admiration and respect, is a far more efficient soldier. And whereas formerly, particularly in the armies of Europe, privates were not allowed to have any personal association or contact with their officers, we hear that in the present war a spirit of comradeship is developed by the officers with their men off duty, which personal relationship is building up rather than weakening the morale of the armies. What is true as to the relationships which I have mentioned is equally true in industrial relations, and personal contact is as vital and as necessary there as in any other department of life.

Let us trace briefly the history of the development of industry, that we may see where this personal relationship is present,

where absent, and what is the effect of its presence or absence. Industry in its earliest forms was as simple as it is complex to-day. The man who provided the capital was frequently the director, president, general manager and superintendent of the enterprise, and in some instances actually worked with his employees. These latter were few in number. They were usually born and brought up in the same community with their employer, his companions in school days, his friends and neighbors, often calling him as he did them by the first name.

There was daily contact between employer and employee, and naturally if any questions or causes for complaint arose on either side, they were taken up at the next chance meeting and adjusted. Next came the partnership, a development necessary because more capital was required than a single individual cared to or was able to provide. Two or more partners were thus associated together, but otherwise the situation was not materially different from that just described, except that more employees were required.

With the invention of the steam engine and its application to railroads, which quickly began to make their way over the face of the earth; with the development of the steamboat, replacing to so large an extent the old sailing vessels and making possible the regular and frequent transportation of the products of the soil and of industry from one part of the world to another; with the perfecting of the telegraph, cable and telephone, there came the need for larger aggregations of capital in order to carry on the ever-expanding industries that were required to keep pace with this growth. This led to the development of the corporation, the capital for which was supplied in larger or smaller amounts by few or many individuals, thus making possible almost indefinite financial expansion. And this form of business has continued to grow, as commerce and industry have become not only national but international and world wide in their extent, until we have to-day the United States Steel Corporation, with its 120,000 stockholders and its 260,000 employees.

It stands to reason that corporations of such magnitude have necessarily become highly specialized. The responsibility of an individual stockholder in a corporation is of course in pro-

portion to his interest, but the function of the stockholders in general consists in casting votes each year for the election of directors to represent their interests. The directors in turn are charged with the general responsibility of developing the policies of the corporation, some of which are matured by the officers, of selecting its officers and of seeing to it that the corporation is properly managed. The officers as the executives of the company carry out the company's policies and are charged with the actual operation of the company and the employment of labor.

As we contrast this gigantic organization with the simple form of industrial organization first described, it is at once apparent that in the very nature of the case the man who supplies the money seldom if ever comes in contact with the man who supplies the labor. Here we note a marked and serious change. While deplorable, this situation is practically inevitable. Frequently the industry in which a stockholder has invested his capital is located in a far distant city. Not only this, but often investments are made in corporations which conduct business in other countries almost at the ends of the earth. As a result of this lack of contact between labor and capital, the personal relationship has disappeared, and gradually a great gulf has grown up between the two, which is ever widening.

It is regrettably true that there are capitalists who regard labor as their legitimate prey, from whom they are justified in getting all they can for as little as may be. It is also true that on the part of labor there has been a growing feeling that it was justified in wresting everything possible from capital. So these two great forces have come too often to think that their interests are antagonistic, and have worked against each other, each alone seeking to promote its own selfish ends. This has resulted in the strike, the lockout and the various incidents of industrial warfare so regrettably common in this day and apparently on the increase.

Reports of the United States Bureau of Labor Statistics show that for the first eleven months of 1916 there were 3,134 strikes and lockouts in the industries of this country, as against only 1,147 for the corresponding period of 1915. These industrial conflicts have in some instances come to be little short

of civil war; vast sums of money have been lost by both sides, untold hardship and misery have followed in their wake.

I have not had access to data showing the cost to this country of strikes and lockouts. However, the following quotation from a recent address made by Mr. Frank A. Vanderlip, President of the National City Bank of New York, throws light on the subject. Mr. Vanderlip said:

> The cost of the recent garment-workers' strike in New York City has been estimated to be in the neighborhood of fifty million dollars.
>
> The last anthracite coal strike in the short course of five months caused a loss of one hundred and twenty million dollars to employers and employees in the community.
>
> I have seen the statement that in a single year the losses that can be attributed to labor disturbances in this country total more than a billion dollars.

These are extraordinary figures, and though some of them are doubtless merely estimates, they serve to show what enormous proportions the industrial problem has assumed and how serious and vital a question it has become.

May I not add that almost beyond belief as these figures are, they do not include those terrible mental and moral losses growing out of struggle and conflict, nor do they take account of the depleted bank balances of the workers, and the hunger, suffering and distress which extend into the homes and which touch the lives not only of those immediately concerned, but of tens of thousands of innocent women and children.

What I have said leads me to advance two ideas, both of which I believe to be profoundly true, but which have received far too limited consideration.

The first is that labor and capital are naturally partners, not enemies.

The second, that the personal relation in industry, entered into in the right spirit, gives the greatest promise of bridging the yawning chasm which has opened up between employer and employee.

The mistaken point of view in regard to the relation between labor and capital exists on the part of both labor and capital as well as among the interested and disinterested public. Too

often capital regards labor merely as a commodity to be bought and sold, while labor not infrequently regards capital as money personified in the soulless corporation. It might seem that technically speaking both of these definitions could be justified, but they are far from being comprehensive and adequate. For both labor and capital are men—men with muscle and men with money. Both are human beings and the industrial problem is a great human problem.

This is one of the first things we need to recognize, and it is just because human nature is involved in this problem that it is so intricate and difficult to solve.

The popular impression that from the very nature of the case labor and capital are two great contending forces arrayed against each other, each striving to gain the upper hand through force, each feeling that it must arm itself in order to secure from the other its rights and its just dues, is even more unfortunate than it is untrue. I cannot believe that labor and capital are necessarily enemies. I cannot believe that the success of one must depend upon the failure or lack of success of the other. Far from being enemies, these two factors must necessarily be partners. Surely, their interests are common interests, the permanent well-being of neither can be secured unless the other also is considered, nor can either attain the fullest possibilities of development which lie before both unless they go hand in hand. Only when the industrial problem is approached from the point of view of a firm belief in this doctrine is there any hope of bringing about closer, more healthful and mutually advantageous relations between these two forces.

If, therefore, my first statement is true, namely that labor and capital are partners, then certain things must follow. They must have contact. This standing aloof one from the other must end. Partners know each other, they rub elbows, sit around the same table, come to understand each other's point of view. Respect grows in the heart of each for the other, confidence is developed, and they come to realize that they are working with a common interest for a common result. But this attitude, this relationship, is the personal relation in industry. Nothing else will take its place, nothing else will bridge the chasm of distrust and hatred.

It is the recognition of the brotherhood of man, of the principle of trying to put yourself in the other man's place, of endeavoring to see things from his point of view. The old saying that honesty is the best policy is often scoffed at and pronounced unpractical, but there never was a truer saying. Honesty *is* the best policy. You may be able to deceive a man once or twice, or if he is exceptionally gullible, half a dozen times, but you cannot deceive him indefinitely. You may be able to deceive a number of people sometimes, but you cannot deceive all of the people with whom you have business dealings all of the time. You may be able to make a contract which gives you an unfair advantage of the other man, but the chances are that you cannot do it twice.

From a purely cold-blooded business point of view, honesty *is* the best policy. Likewise do I say that to treat the other man as you would have him treat you is an equally fundamental business principle. This does not mean that you should surrender your rights or neglect to avail of your opportunities. It simply means that in the game of business, the same rules of sportsmanship should prevail as in a boxing bout, in a match of golf, or a football game. Play fair and observe the rules. Let the contest be clean, gentlemanly, sportsmanlike, a contest always having regard for the rights of the other man.

Assuming, then, that the personal relation is a vital factor in successful industrial life, but recognizing the impossibility in this day of big business of reproducing it as it existed between employer and employee in the early days of industrial development, how can a like result be brought about, how can personal contact be established?

Granting that it is impossible for the stockholders of a great corporation to come into frequent or even semi-occasional contact with their partners, the employees of a company, and that the situation is much the same with the directors, at least it is possible, and must be made increasingly so, for the leading representatives of the stockholders and directors, namely the officers of a corporation, to have such contact with the employees, special officers being appointed for that purpose alone if necessary. Because of the vast number of employees in many a company, even this is difficult and altogether too infre-

quent to-day. As the officers of our great corporations come to see more and more that the problems of understanding their employees and being understood by them is a vital problem, one of the most important with which the management is confronted, they will be convinced not only of the wisdom of devoting far more time to such contact, but of the desirability and the advantage to themselves, and to the employees as well as to the company, of such closer relation and intimate conference in regard to matters of common interest and concern.

If we look into our own experience, we find that the misunderstandings which we have had with other men have been largely the result of lack of contact. We have not seen eye to eye. Men cannot sit around a table together for a few hours or several days perhaps and talk about matters of common interest, with points of view however diverse, with whatever of misunderstanding and distrust, without coming to see that after all there is much of good in the worst of us and not so much of bad in most of us as the rest of us have sometimes assumed.

But some one says, "We grant the desirability of the personal relation in industry. Theoretically we accept your suggestion as to how this theory can be put into practice in the industrial life of to-day, but practically, will it work?"

I can best answer this question by saying that such a program has been put into operation in a certain coal company in Colorado, in which my father and I are interested and of which I am a director. If you will pardon a personal reference, may I say that when I visited Colorado some eighteen months ago, I had the opportunity of talking personally with hundreds, if not thousands, of the employees of that company. These men and many of the people of Colorado had formed their opinion of any one bearing the name of Rockefeller from what they had read and heard. Because of certain industrial disturbances which had developed in the state, bitterness and hatred had existed to a high degree.

As I went from camp to camp I talked with the representatives of the men individually and privately, I went into the men's homes, talked with their wives and children, visited their schools, their places of amusement, their bathhouses, and had just such friendly relations with them as any man going among

them would have had. Frequently I found points of difference between the men and the officers, but in no single instance were the men as I met them other than friendly, frank and perfectly willing to discuss with me, as I was glad to discuss with them, any matters they chose to bring up.

It often occurred that there was justice in the points which they raised and their requests were acted upon favorably by the officers. Also frequently situations were presented in which it was impossible for the company to meet the views of the employees. But never was a subject dismissed until, if unable myself to make the situation clear, the highest officials of the company were called to explain to the employee with the utmost fullness and detail the reasons why the thing suggested was impossible. No matter presented was left without having been settled in accordance with the request of the employee, or, in the event of that being impossible, without his having been fully convinced that the point of the company was just and right and in the common interest.

This personal contact with the employees of the company led to the establishment of mutual confidence and trust and to the acceptance on their part of the premise that they and we were partners. The men generally came to see that the man about whom they had heard was very different from the man whom they had met in their homes and at their work. While they distrusted the former, they believed in the latter. Before I left Colorado, a plan of industrial representation, providing for close personal contact between the duly elected representatives of the men and the officers of the company, was worked out and adopted by a large majority vote of the employees.

I will not take your time to describe this plan, but in substance it aims to provide a means whereby the employees of the company should appoint from their own number as their representatives men who are working side by side with them, to meet as often as may be with the officers of the corporation, sometimes in general assembly, where open discussions are participated in and any matters of mutual interest suggested and discussed; more frequently in committees composed of an equal number of employees and officers, which committees deal with

every phase of the men's lives—their working and living conditions, their homes, their recreation, their religion and the education and well-being of their children. In brief, the plan embodies an effort to reproduce in so far as is possible the earlier contact between owner and employee.

I do not venture to make any prediction as to the ultimate success of the plan. Two interesting side lights, however, may be mentioned. The first is that whereas the plan itself and an agreement covering working and living conditions was adopted by the coal miners employed by this company some fifteen months ago, since that time the same plan and agreement, adapted to the particular requirements of the steel workers, and also of the iron miners employed by the company, has been adopted by both.

The second, while the company has reopened a number of mines formerly idle and is now working quite to the limit of its capacity in the production of coal, it has all the labor at its various mines which it requires, and that too without having made any special effort to attract labor to its recently reopened mining camps. At the same time, other coal companies in the state of Colorado, as well as generally those throughout the United States, are understood to be having difficulty in securing an adequate supply of labor.

But there is a further reason why the personal relation in industry is of such vital importance, and that is in order that the attitude and purpose of the owners and directors of a company may be rightly understood by and interpreted to their partners, the employees, and vice versa; also that all grievances may be taken up and adjusted as they arise.

How true it is that when some petty representative of a great corporation makes a sharp trade with a customer, the customer at once says, "Obviously, the president of this corporation is a dishonest and unscrupulous man. It must be that he has directed his agents to pursue these sharp and crooked practices." However high minded the owners or directors of a company may be, it is of the utmost difficulty to guard against such practices on the part of an occasional representative. But it is obviously just as unfair on such grounds to maintain that the owners and managers are unjust and crooked in their business methods as

it would be to say that the whole tree was bad, simply because one apple on it had spots or imperfections.

The employee in any corporation must form his opinion of the owners and directors of the corporation from the petty officers or foreman with whom he has personal contact. Too often these men, not infrequently promoted from the ranks, become overbearing and arrogant in their treatment of those under them. This very naturally is as irritating and unjust to the employee as it is distressing to the company, and it is at this point in ninety-nine cases out of a hundred where grievances arise.

The Colorado Industrial Plan to which I have referred has been so drawn as to guard against the exercise of arrogance or oppression, by providing various channels through which the employee with a grievance can at once secure a sympathetic and friendly hearing, carrying his difficulty to the president's ear, if necessary. The foreman who knows that any arbitrary or unjust action on his part may be reviewed by his superior officers is very much more careful in his treatment of his men, always wanting to avoid having his decisions reversed.

If a slight scratch made on the finger with a rusty nail is immediately cleansed with an antiseptic wash, it heals at once. On the other hand, if the poison which has been introduced is allowed to remain, soon inflammation sets in, the disorder spreads, and serious menace to life may result. And so it is with the petty grievance. If it is dealt with sympathetically and justly, immediately it is made known, peace, harmony and good will are readily maintained. On the other hand, if indifference is shown and lack of sympathy, the grievance is nursed and from it grows the industrial disorders which later become so acute and difficult to heal. An ounce of prevention is worth much more than a pound of cure. In no place is this saying truer than in dealing with human nature.

If I were to sum up in a few words what I have been endeavoring to say to you in regard to the personal relation in industry, I should say, apply the Golden Rule.

Every human being responds more quickly to love and sympathy than to the exercise of authority and the display of distrust. If in the days to come, as you have to do with labor, you

will put yourself in the other man's place and govern your actions by what you would wish done to you, were you the employee instead of the employer, the problem of the establishment of the personal relation in industry will be largely solved, strife and discord as between labor and capital will give place to coöperation and harmony, the interests of both will be greatly furthered, the public will be better served, and through the establishment of industrial peace, a great stride will have been taken toward the establishment of peace among nations.

CHARLES M. SCHWAB

HOW TO SUCCEED

Charles M. Schwab is a striking example of success. The story of his life makes a most interesting chapter in the great book of romance in American business. He was born at Williamsburg, Pa., in 1862 and as a boy drove a stage from Loretto to Cresson in Pennsylvania. While still a mere boy he entered the service of the Carnegie Co. as a stake-driver in the engineering corps of the Edgar Thompson Steel Works. His promotion was rapid. He became Superintendent of the Homestead Steel Works when he was 25; General Superintendent of the Edgar Thompson Steel Works when he was 27; President of the Carnegie Steel Co., Ltd., when he was 35 and President of the U. S. Steel Corporation at 39. There will be found elsewhere in this volume (page 62) the address of Mr. Darwin P. Kingsley on presenting a bronze tablet in behalf of the New York Chamber of Commerce in commemoration of Mr. Schwab's service to the country during the War. As Director General of the ship building of the U. S. Shipping Board Emergency Fleet Corp. his great energy and enthusiasm were of incalculable benefit. This address was given at Princeton University March 16, 1920. It is of especial interest as a direct and informal talk from a leading capitalist to an audience of boys just facing the responsibilities of life. Mr. Schwab's tribute to Andrew Carnegie is printed in Volume IX.

To-night I have not made a single bit of preparation except the preparation that may come to one on the spur of the moment who imagines himself to be young again, who imagines himself to be one of you, who looks back with the pleasure that I would feel if I were one of you and talks to you as an older boy who has been through a great many years of experience in a more or less personal manner. If I do talk in this way, I hope you will pardon me if I talk about myself or my industries or things of that sort. I do so only with a view of

your better understanding and appreciating the points that I want to make to you.

For the first time, this evening, down at the clubhouse, I saw the subject that I was to lecture upon. Well, I don't suppose it makes much difference what was on the bulletin boards, but it's rather what I may have to say to you that will interest you. Here you young men, next year or within a few years at least, will be ready to start upon an active life of usefulness in this country, and you want to hear from one who has been through the turmoil and strife of industry for many years about what are the qualifications, what are the things that attract attention, and what are the things that will lead to your greater and better success in life.

And, before I start that, I want to tell you what I think of what success in life means. I told these good-looking young gentlemen in evening suits down at the dinner table this evening—and I never had a more delightful dinner—I don't mind saying that I never talked quite so much and never to a more interesting crowd, but what I did say to them, and now tell you, is defining what I mean by a successful life, and it will bear repetition.

I know that it is very difficult to convince the great majority of people that men who are in active pursuit of life have any other object in view than the making of money. Well, now, boys, that is a great mistake. The real leaders of industry and the real men in life, and the real successes in life, are not always the men who have made lots of money or a great fortune.

My idea of the successful life is the man who has successfully accomplished the objects for which he set out, to do something that is worthy of a real American man. Money is often a matter of chance or good fortune, and is not the mark of a successful life. And while I have some money—not much since I paid my taxes, boys—it is not the thing that brings a throb of pleasure or a thrill into my life. And I would not pose as a successful man if that was to be the measure. But when I look about me and see the multitude of friends that I have after forty years of business association with men, when I see the great lines of smoking stacks and blazing furnaces that have come into being because of my interests and activity in

life, and when I see a work that I set out to do successfully accomplished and meeting the approval of my fellow men, then a real thrill comes into my heart and I feel that I have done something worth while. The money one doesn't think about as long as you have enough to pay your bills and keep your business going.

I said in a speech in Pittsburgh a short time ago, with reference to my dearest friend that I ever had in life, Andrew Carnegie, that he used to say to me when I went to him with my balance sheet and showed him how many hundred thousand dollars we had made that month or year, "That's interesting, but show me your cost sheet." That is the mark of successful manufacturing, how economically and how well you do a thing, not how much money you make in the doing of it. So, boys, his mark—and he was a wise man—his mark of a successful industry is my mark of a successful life. Set out with some definite purpose in life and accomplish that purpose.

I was not able to place the quotation myself, but your honored President here, a doctor of philosophy, told me this evening the name of the philosopher who said it, and that was that there is little that the human mind can conceive that is not possible of accomplishment. Now, the thing you want to do is to make up your mind what you are going to drive for, and let nothing stand in the way of its ultimate accomplishment. Why, boys, one of the greatest pleasures in life to me is to have the recognition from such a body of young men as you are here to-night, to have you say, "We would like to hear something from the man that we think has been successful in some things in life." I had rather have it than millions. It brings more pleasure and more satisfaction.

Now, in my long experience in business life and association with men, there are some fundamental things that must not be overlooked.

If I were asked to say the most important things that lead to a successful life I should say that, first of all, was integrity—unimpeachable integrity. No man can ever do anything of any great value in life and have the confidence and approval of his fellow men or be successful in his undertakings with other

business men if he doesn't have the reputation of being a man of honor and integrity.

And I don't mean by that that a man shall be so high in the moral and social state of life that he is incapable of any action that might not be regarded as always right, but I have the highest regard for a man who, when he has done something wrong, manfully admits it and constantly sticks to the truth of integrity, however much it may seem to hurt.

I am going to speak of a young man that I regard as the most successful young man I have ever known. And if I did not regard him as the most successful young man that I know, he would not be the President of the Bethlehem Steel Company. I am going to speak of a young man that I have known since he was a man your age—I refer to Eugene Grace. You may have heard of him—and you baseball fans undoubtedly did—because he came down and played baseball at Princeton many years. He came from Lehigh University. When I first knew him he was a shoveler of coal with an electric crane. I followed his career on and on and on. And whatever may have been said of Mr. Grace you could always depend upon it absolutely that when Mr. Grace said a thing you would know the absolute facts, good, bad, or indifferent. And, to-day, Mr. Grace stands among the great business men of New York and this country, with the reputation of being a man with absolute integrity and a man upon whom everybody can place the greatest possible confidence.

That is the very foundation of a successful life. With this to start upon, then the other is going to be easy going and easy following.

You can make up your mind to do one of two things: You can have a good time in life or you can have a successful life, but you can't have both. You have got to make up your mind at the start which of the two you are going to have.

There is no royal road to a successful life, as there is no royal road to learning. It has got to be hard knocks, morning, noon, and night, and fixity of purpose.

Never has there been a time in the history of the world when so much opportunity offers for the leading of a successful life as to-day. What would I not give to be one of your age again,

and have the opportunity of starting life afresh! You think the opportunities of the past will not be the opportunities of the future. In that, boys, you make a mistake.

When I first started in the steel business the whole United States produced only 1,000,000 tons of steel in a year. That was about 1880. In 1890 we had got to 8,000,000; in 1900, to 12,000,000, and in 1920, we have got to 45,000,000 tons of steel annually. Now, we thought twenty years ago that the steel business had reached its zenith. We are just as far from the zenith to-day during your normal lifetime as we were from the zenith twenty years ago.

I don't say you shall become manufacturers or business men or professional men—I don't know what you are going to be. But this I do know: That any man who goes into anything in life and does it better than the average will have a successful life. If he does it worse than the average his life will not be successful. And no business can exist in which success cannot be won on that basis. If it did exist, and nobody could make a proper success or get a proper return from it in life, the business would tend to go out until it would reach a basis on which it could be profitable.

Another important thing is loyalty.

Now, that is what you boys in universities and colleges learn. You learn loyalty to your Alma Mater. You learn loyalty to your fellow students. You learn loyalty to the friendships that are going to follow you through life. The one thing that you are distinctively in the university is that you are loyal men. Be loyal. What little success I may have won in life I attribute to the loyalty I had for a dear old friend who was my first steel master, whom you perhaps have never heard of, Captain Bill Jones.

Captain Jones was a great mechanic, just a natural genius at mechanical things. No education at all. He knew nothing of engineering or chemistry or the sciences. Now, I was thrown in, fortunately, with him. I made up my mind that I could be very useful to that man by learning things that he could not learn, and, above all, by being loyal to him and never letting the world know that the things for which he received credit were not his own creation. Boys, did you ever stop to

think that a great man in life who has won great acclaim and great reputation is the very man who is willing to share and give the honor to others in the doing of things that made him great? The man that will selfishly stand along and proclaim that he is the man who has done these things never is the man who really did them. My own experience is that there is no real effort in life that is not done better under encouragement and approval of your fellow men. A man goes along then with greater confidence. You must learn to let others share with you in that which you are doing, and honor and credit will be reflected upon you for so doing.

Marshal Foch, the great commander, said to me a short time ago, when I congratulated him upon the wonderful work of the War: "This great military staff is like an orchestra, and each one fills his place. Each is equally important in the functioning of the whole. If the baton is in my hands it is merely a matter of chance, but we shall see to it that each man in this staff gets recognition for that which is due." You never heard a great man say, "I did this," or "I will do that."

In the management of my great enterprises I have yet ever to find fault with any man. If a man is of the character that you must find fault with him to get the best out of him he is not a man to be desired in an organization. Show me the man that will do his best under approval, and I will show you the man that has within him the elements for successful going ahead.

Now, to come back to loyalty.

Be loyal to the people with whom you associate at the start.

When this good Captain Jones came to the end of his life's work, do you not suppose it was worth more to me than anything else to have him say: "That is the man that helped me do these things"?

Remember always that it will but attract attention and credit to yourself to share it with those who help you. Be loyal when you start life, boys, wherever you start. Make your employer feel truthfully that you are sincere with him; that you are going to promote his interest; that you are going to stand for the things which he represents; that you are proud of being a mem-

ber of his staff, and there is nothing that will reap you a richer reward.

Loyalty above all!

Boys, there are other things in life than mere work. I believe an appreciation of the finer things in life, the learning to know the beauties of literature and art and music, will help any man in his career. A man to carry on a successful business must have imagination. He must see things as in a vision, a dream of the whole thing. You can cultivate this faculty only by an appreciation of the finer things in life. No active business life, whether it is manufacturing or something else, can prevent you from enjoying the beauties of life. These finer things will contribute to your success.

Be friends with everybody. When you have friends you will know there is somebody who will stand by you. You know the old saying that if you have a single enemy you will find him everywhere. It doesn't pay to make enemies. Lead the life that will make you kindly and friendly to every one about you, and you will be surprised at what a happy life you will live.

I said, coming down in the carriage, "What would I not give to be your age again!" I have not a single regret in life. The hardships that have come to me in life have but made me the keener enjoyer of the good things in life. I tell a story of a German workman I had years ago, and a saying of his that I adopted as a motto in life. We were having labor difficulties at the mill. He was a loyal fellow. The workmen picked him up and threw him into the river one day because he had reported for work. He came into my office all covered with mud and water to tell me what had happened. I asked him what he said. He said, "I yust laughed." That's the thing to do—"Yust laugh."

I am going to tell you a little more—I am not lecturing tonight, but just talking as if you were in my drawing-room. I would just like to say to you what I feel, just as if you were my own sons.

I want to tell you a little more about this man Grace, because one often sees the point in a successful life best by analyzing a single individual. I told you of his great faculty of making

good, no matter in what position he was placed. This boy went on and on. Above all, he worked hard with that brain of his which had been trained in the university to think and concentrate upon the subject that he was thinking about until he had reached a satisfactory conclusion. Now, that is the great point, to concentrate and think upon the problem in mind until you have reached a satisfactory conclusion in your own mind, and then finally go ahead. If you have made a mistake, all right. Never find fault with a man because he has made a mistake. It is only a fool that makes the same mistake the second time.

Now, in my own establishment you will be interested to know something about how we do things. You boys will all, of course, have to start to work upon a salary. But the quicker you get out of working for a salary the better for all concerned. In our works at Bethlehem and San Francisco, and all over the United States, I adopted this system: I pay the managers of our works practically no salary. I make them partners in the business, only I don't let them share in the efforts of any other men. For example, if a man is manager of a blast furnace department he makes profit out of the successful conduct of his department, but I don't allow him to share in the prosperity of some other able man in some other department of the establishment. I give him a percentage of what he saves or makes in the department immediately under his own control and management. For example, if it takes a dollar a ton to make pig iron, and it takes him a dollar a ton to make pig iron, I say to him:

"Well, you are no better than the average manager over the country. Therefore you are entitled to only the usual wages. But if you can make pig iron at 90 cents a ton you are entitled to share with me in a large part of the profits. And if you make it for 40 or 50 cents a ton you share to a very large degree."

Therefore, I don't care how much a man earns. The more he earns the better I like him. And I pay in what I call bonuses to the various superintendents and managers of the different establishments more money for their successful management than I pay the stockholders of the concern in dividends. And it will surprise you to know the great sums of money that some of these men make. I would be afraid to tell

you for fear of discouraging you in your start in life. But I don't mind saying that forty, fifty, sixty, a hundred thousand dollars a year for these men is not infrequent. And in the case of men like Mr. Grace, well, many, many times that.

It is a matter of common knowledge and it is a matter that has been published. And I am glad to tell you that in the carrying out of this principle, Mr. Grace has earned considerably more than $1,000,000 a year. Mr. Lee knows Mr. Grace, and he knows that that statement is correct. It would run into several millions.

Now, I do the same with the working people. I say that a good workman is entitled to more pay than a poor workman. And, therefore, wherever it is possible we have our workmen paid for the amount of work they do. I know that is contrary to the general rules of trade-unionism, etc., but it is the proper economic basis that a man shall be paid for the work he does and proportionately to the work that he does. And so I carry this principle through every establishment that I have. The Bethlehem business is now the second largest business in the United States. It was exceeded only by the Steel Corporation last year. Other than that, it was the largest business in the United States, and I give it no more thought or no more attention and not as much as I have to my coming to be a guest of you boys here this evening.

In writing the organization for our establishment I say the President shall have no duties, and shall keep his mind free to survey and direct the whole affair, so as to have it go in harmony. I am so confident of the organization we have got that I find that they do better when the old man is away. I have never yet seen a record broken in any department when I was at all attending to business. It has always been broken when I have been away, when a man has been put upon his own mettle to show what he can do. But I am no boss. I let younger men run these great establishments, notwithstanding the fact that I own the greater part of them. The younger fellows get to learn that if they are successful they can run the old man around. After all, there is nothing so scarce in the world as competent and successful men in the management of a business. There is nothing we are so constantly looking for as that.

Now, to be more practical: A lot of you fellows are going out into life. Let me give you a bit of advice. If you have any influence in the world to get you a start in life, don't use it. The worst thing that can happen to a man is to start life with influence. He has got to do twice as well as the fellow that starts upon his own merits, because, after all, its depends on the general opinion of all those around you as to how competent and successful you are, and when everybody says that you do well because of the influence back of you, then you have got to do twice as well as otherwise. If you are going into any manufacturing establishment, don't go there by reason of any influence you may have. Start upon your own merits, and start in some lowly position, no matter what it is. Be a laborer, if you will. I don't know but that is the best way to start.

A man educated in a great university is ten times the man who has not been educated in a university, if he will only learn that education in a university is not different from education in the workshop. You cannot be aristocrats unless you earn the right to aristocracy. And the aristocracy in the future is not one of wealth or university education, but the aristocracy of the men who have done something for themselves and their fellow men. And that is what will make the real man. That is the lesson that you have got to learn, and that is the lesson that so many of our college boys don't learn. They go into a great industrial or other establishment, and they imagine because they have a diploma from Princeton or Lehigh or Lafayette or some other college or university that they are in a different plane from the other men. Boys, unless you get that out of your heads you are going to learn the sorriest lesson you ever learned, because it won't succeed.

This Great War has taught us many things. The one thing it has taught us above everything else is that the true life is the life of modern democracy and simplicity, that it is not one of show or of extravagance; that we are men, because we are men, and because we have the true instincts of men, and we are not men because we are rich or because we occupy a high social position or because we have influence. Now, that's the thing that boys from universities have got to learn; and they are learning it fast. And this War has taught us more than any-

thing else that it is now in fashion, and it is in the most liberal sense the fashion, to be simple and to be democratic; that the real man is the man that will live in that way and derive more genuine pleasure and satisfaction in the doing of it than he imagined before.

I had a lesson brought home to me here to-day that I have been thinking of ever since. You have here in Princeton the daughter of my dearest friend, Mr. Carnegie, and I went to her home to see her to-day, to wish her the happiness that she deserves. I was the first one to see her but twenty-one or two years ago, and I saw her to-day. With all of her wealth and everything that she might have that the imagination might devise, I saw her living in the simplest of cottages in the simplest and most unostentatious style and the happiest young woman it has been my privilege to meet for many years.

Now, boys, there is an object lesson for all of us. I have a great house in New York. I have a great country estate. About the only pleasure I get out of them is the fact that I have to pay their taxes and have enough money in the bank to do it with. I don't own the estate and I don't own the house. They own me. My secretary made up one day a list of my assets and liabilities. I am not going to tell you what they were. But he had this great estate and house on the side of my personal assets. I said: "You are wrong; they are not an asset, they are a liability. Put them on the other side." So it is, boys. As I grow older I find I want to have simpler things about me, the truest of my old friends. And, boys, if you could know the joy of the long association and companionship with men such as I have known, you would realize that you yet are to have such a compensation for old age as you have no idea of, and you are to enjoy the truest thrills that come to the life of any man.

Now, boys, I have talked to you a long time. I have talked because I love to talk to you, and I see how interested you look. Just one thing more. Go at your work. You may not find yourself the first year. You may start at work that you think will not be agreeable to you. Do not hesitate to change. If you find that it is not according to your tastes and ultimate ambitions, then change and go into something that is more pleas-

ant. No man can be successful at work if he doesn't find the work he has to do pleasant. No man can ever do a thing well that he is not interested in. You boys will find in your classes that you do best in the things you like to do. When you start in life, if you find you are wrongly placed don't hesitate to change, but don't change because troubles come up and difficulties arise. You must meet and overcome and conquer them. And in meeting and overcoming and conquering them you will make yourself stronger for the future.

Then go on and select your work. Let us suppose you become a craneman. Suppose you become a clerk in a lawyer's office. Give the best that is in you. Let nothing stand in the way of your going on.

I am going to tell you the story of a man that came to see me in New York, Charles W. Baker, the President of the American Zinc Company, a very good friend of mine. Thirty years ago, as manager of the Homestead Mills, I went to Cleveland to see some plates that were being made. I got there at six o'clock in the morning. I had telegraphed the Superintendent that I would be there that morning. He was in the office. But, being early in the morning, I went right out to the works, thinking I might see something out there that would guide me in the making of these plates. When I got to the works I found this young man Baker, a stenographer and employee of the office, who had not been directed to go out there, but who thought when the works manager arrived out there he might want somebody to be on hand to meet him, and he was there, the only one that was there. And when I went back I said to the Superintendent: "Watch that young man. When you have a chance give him a chance, because he is in earnest." It wasn't long before Baker got to be his assistant. Later he was agent. Later I made him the general agent of the whole Carnegie Company. Later I made him a partner. To-day he is many times a millionaire and the President of the Great American Zinc Company in New York. That is the story. That one little thing helped him forward.

But don't believe, boys, that you can make opportunities for things like this. That will always fail. They must come naturally, and the only way that they can come naturally is to

give your whole heart, give your whole soul, give your every thought, give your every act to the accomplishment of what you are going to undertake. If you will but make up your mind and determination to go through with what you undertake, you will have done more toward a successful life than you will have done in graduating from this great university, and you will do that which will bring you more genuine pleasure, satisfaction, and comfort in life than anything else you will ever do.

ON BEING AWARDED A BRONZE TABLET

This address was given by Mr. Schwab upon receiving from the New York Chamber of Commerce a bronze tablet in recognition of his service in the War. The ceremony took place at the New York Chamber of Commerce April 18, 1921, and the address of presentation by Mr. Darwin P. Kingsley is printed in this volume on page 62.

MR. PRESIDENT, GENTLEMEN OF THE NEW YORK CHAMBER OF COMMERCE:—My friends, accustomed as I am to public speaking over a good many years, I think I can say, with all truth, that never before have I felt quite the sense of embarrassment that I feel to-day; never have I quite felt that it was going to be so difficult to express all that was in my heart and mind. Words would be utterly inadequate to express the gratitude that I have in my heart at this moment.

Indeed, when I listened to your distinguished President's very eloquent speech, it was hardly possible for me to realize that I was the subject of it, and I was reminded of a little story, that, even in the dignity of this great body, I think I might repeat, as illustrating my position: When I was a young man, coming home from the mills one day, very proud of the importance of my position as manager, a working man's wife and little girl passed by, and the wife said to the little child, "Look, dear, that is Mr. Schwab in the buggy." I was seated in a buggy beside a colored driver, and the little girl immediately asked, "Which one, mamma?" [Laughter.]

Apropos of this distinguished honor, I want to tell you another story that I think illustrates my feelings very well. Pos-

sibly you have heard it before, but I am fond of telling it.

Just after the War, I was in England, and I met a soldier one day, who was decorated with medals from one shoulder to the other, and I said, "Now, there is some great and distinguished man whom I must meet and get his history," and, going up to the man, I asked him if he would mind telling me the circumstances that led to all these honors that he possessed, and he said he would do so with pleasure. He said, "Now, this one, this first large medal that you see on my left, I received by mistake, and I have had all the others given to me because I had the first one."

As I sat here, thinking of the honors that come to men, I could think of no honor that I should more highly prize than the honor possessed by the President of this great and distinguished Chamber of Commerce of New York—a man who reflects credit upon the Chamber, who is typical of the great men composing this Chamber, and who is human enough in his heart and in his soul to express the sentiments of appreciation for men, that we all neglect too much. [Applause.] That, to my mind, is true honor, and that, to my mind, is true American citizenship.

In my long experience with men and things, I have found that the best work and the best effort of every man who is worth while come under the spirit of approval of his fellow men; that you will never get the best that is in any man—individually or patriotically or in any other way—except under the stimulus of approval from the men worth while, whom he regards as his friends. [Applause.]

Your President, in his very kindly overdrawn speech, has so beautifully expressed his thought, that I wish to take this opportunity of congratulating him upon his splendid conception of that great principle.

Now, my friends, I have just returned from Europe, where I met many of the important people in the various countries, and discussed the situation, and it seems to me it would not be inopportune for me to say a little something to you about it.

The problems that pertained to the winning of the War were very great, and under the stimulus of excitement and patriotism, were wonderfully met, but even greater problems confront

us now. The solution of these will require the intellect and the ability of America's ablest men; and that is what this great Chamber—the world's oldest business organization in point of continuous activity, as I am informed—must think about.

The fundamental principles of prosperity in every country are so well understood that they need but little if any discussion. They are so simple that with the proper coöperative action, the American people, collectively, can easily place this wonderful country of ours in the position that it is so well qualified to hold among the nations of the world.

I have keen admiration for our allies, who are making such efforts to rebuild the world, but I come home from Europe with one very strong misgiving, that gives me sleepless nights and troubles me a great deal. I have been wondering whether, having won the War and made all the sacrifices that it involved, we are going to lose the fruits of victory.

If there was one thought above all others borne in upon me by my observations in Europe it was this: Germany has gone back to work as has no other nation in Europe. Her working people are economizing, sacrificing and throwing themselves into real production.

Is it possible that after having won the War, we of the allied nations, with everything in our hands, will allow Germany to win the peace through the efforts of her labor?

Will it be possible that the pressure of adversity will have taught the Germans such a lesson in the need of thrift and hard effort that they will have gained the permanent benefit from the War, while labor in the allied countries would have reposed in its ease and security and let go the most brilliant opportunity in all history?

Germany can to-day put a ton of steel in England at a price $20 a ton cheaper than what it costs England to make it. Germany is to-day selling pneumatic tools in Detroit, where formerly we made such machinery and shipped it to Germany to sell there cheaper than she could make it.

The difference is solely a matter of labor costs.

Fundamentally the basis of all modern progress is the efficiency of labor. And the only sure road to restored prosperity is through the thrift and hard work of our people as a whole.

We hear much talk of the danger to American industry from European dumping. We have, on the one hand, a great obligation on the part of Europe to pay her debts to us; on the other, our absolute necessity to develop our export trade—which means all our products abroad.

We find our business burdened with taxes and restrictions of one kind or another. Yet I have complete confidence that the administration now in power at Washington will legislate soundly and correctly with reference to both tariff and taxation. That administration will correct the present weaknesses in taxation, and it will develop a system of customs duties which will promote and not hinder the development of industry.

I likewise see the master minds of the Nation carefully studying and developing methods of distributing among all our people the burden of liquidating our war debts. That burden must be met, and it will be met cheerfully. But, after all, these problems of tariff and taxation are but incidental, as compared with the transcendent question of work.

There are serious questions that we have all got to consider. Do you realize that in the manufacture of steel 85 cents out of every dollar paid out is paid for labor? Mr. Rea of the great Pennsylvania Railroad, has just told us that 70 cents out of every dollar that he pays out is for labor.

When you come to analyze commerce there is nothing to it but labor. If you are a manufacturer of steel, for instance, you may say, "We pay freights, and we pay for other things." But freight, when analyzed to its finality, is nothing but labor; and, therefore, the future of this country and the maintenance of its great commercial position, depend upon the efficiency of its labor. The other costs of manufacture represent but a small part of the total. The capitalist or manager gets only a small part of what the world produces.

Therefore, our efforts must be bent in the direction of convincing the great mass of working people of this country of the necessity of our winning and retaining our place in business and commerce. That place can be won only through the workers' own efforts and through their own efficiency.

Now, I am one of those men who believe that the best workman ought to have the best pay. I believe that the best man

in any line of business ought to have the best return; and upon that fundamental principle we can build this structure that will last for all time.

God has endowed us with natural resources greater than those of any other country in the world, but it will require the united effort of all of us to realize upon them. We must join with nature in making this country the foremost among the manufacturing and business people in the world. I believe it will come only through difficulties and trials or struggles, but it will come quicker through a thorough appreciation of the situation by our great mass of working people.

I am one of the men who admires and stands for American labor. American labor, as a rule is of a higher type than the great majority of people generally think. [Applause.] I say without hesitancy that in my long experience with labor and the average American laboring man, I have found standards of honesty and morality just as high as those of myself or of any other employer in this country. [Applause.]

Labor should have its fair share of the results of industry. Labor should be recognized as entitled to consult with management in the mutual interest. Labor cannot be driven, and business cannot be successful unless the men employed in it are enthusiastic and loyal. That loyalty cannot be obtained with a big stick; it must be based upon fair dealing and sympathy.

I believe in reward, and that every man should be rewarded as nearly as possible for the good work he does—the more work, the more reward; the better work, the still higher reward.

But labor kills the goose that lays the golden egg when it attempts to use its power not merely to secure justice, but to extort something unfairly from the other fellow. Labor on the whole can be paid only what labor as a whole earns, and if some sections of labor exact more than their share of the current produce of the world, other sections of labor are going to suffer and receive less than their share.

Our laborers are entitled to a high standard of living, and we should throw around them every possible opportunity to realize it. But the average standard will necessarily depend upon the average production, and not upon the mere money rates which are paid.

The world is going through a period of deflation, which means that the average money prices of everything must come down, and in so far as labor sets its face against a reduction in money, as distinguished from real wages, labor is setting itself against progress. I say this believing myself to be a genuine friend of labor, one who would rather see men happily, actively and continuously at work than to observe any other picture in the world.

The labor problem underlies our railroad problem. Railroad rates are to-day bearing heavily upon industry. We formerly sold pig iron at a profit, and at about $14 a ton. To-day the cost of transportation involved in making a ton of pig iron is more than $14, the gross price at which we formerly marketed the finished product. Obviously here is a situation which must be corrected. The railroads are not to blame, for they themselves cannot make ends meet at the present schedule of rates, assuming present rates of costs. But their costs must come down, and the principal part of their costs is labor.

The same difficulty confronts our merchant marine. Whether it is in operating ships, building ships or repairing ships, labor costs in America in particular and to some extent throughout the world have been hopelessly high, more than the business will bear. That this is so is best evidenced by the millions of tons of shipping now lying idle in the harbors of the world, the great number of shipyards without work to do, and the hundreds of thousands of men who should be engaged in shipping and shipbuilding, without tasks to perform.

I am not suggesting legislation. Nothing is further from my purpose than to arouse heated argument or to stir up further dissension and irritation. I am trying to point out what is in the interest of all men to do for themselves.

We hear much of Bolshevism, much of Labor Unrest; at times we hear the word Revolution. But these are but contagious diseases of the body of civilization, and I believe that antitoxins of good cheer, mutual confidence, fairness and justice will ultimately cure these ills and make the world healthy and strong again.

These are problems to be settled man to man. We want free-

dom for employees and freedom for employers. We have at Bethlehem a plan of collective bargaining known as "Employees' Representation." It works. And it works by actually recognizing the rights of the men to negotiate with the management, and not engaging in needless discussion over words and phrases.

About all that is needed to put the world on its feet are the right qualities of mind and heart on the part of all men. The world must have its leaders, and never was leadership more needed than it is to-day. But this is not a time when a few men can save the world.

The call is not merely to the leaders, it is to the rank and file of men everywhere.

I mention the need of coöperation and confidence among the men who work, no matter what may be their relative ranks, because it is the vital factor underlying everything. Only as we are willing to work to-day, work as we never have worked before, will civilization survive.

I believe that the time has arrived when American labor must have a voice in its own efforts; that American labor must be represented in the highest councils of commerce; that the day of autocratic government of labor has passed, and that we should meet the workman as our equal, and discuss our problems and his own problems with him, and in that way bring about a relationship that will undoubtedly redound to the benefit and credit and advancement of America.

This is a week of great decisions among the nations. As to what the Allies will do, and what Germany herself will be prepared to do concerning reparations and indemnity, we are still to learn. But I venture to make this observation: That above the struggles and controversies of the moment, we must recognize that the world is an economic unit. In the long run no nation can prosper unless the world prospers.

The supreme need of the world is peace and good will among men. It must be peace founded upon justice and fairness, the righting of past wrong, and the securing of the future as far as possible against the evils of the past.

Much of Europe's trouble to-day grows out of the fact that there is no peace in the hearts of men. There is no peace in

reality between so many of the nations. There is no peace between capital and labor.

Now, my friends, I have detained you sufficiently long on this serious subject. It has been difficult for me to speak to-day, because, whatever may be said to the contrary, men worth while in business are men of heart and sentiment. If I did not find any sentiment in business, if I had no sentiment in manufacturing and upbuilding works, I would have been out of it long ago, because, to my mind, it would not have been worth while.

But when I look about me, and see the faces of friends, as I see them here to-day, when I find there is really a lot of sentiment in industry, when I see the faces of friends in the industry in which I am engaged, about me—friends that are true and tried—sentiment wells up in my heart, and repays me a thousand fold for all the efforts that I have ever made; and all the accumulation of fortune or money or business prestige pass into the background of insignificance when compared with the great satisfaction that one has in knowing that one lives in a community of friends, who are appreciative of character, appreciative of American citizenship, and appreciative of true manhood, which cannot exist without sentiment, and the throb of the heart that responds, when such sentiments are so beautifully expressed as they have been by your distinguished President to-day. [Applause.]

I love to tell stories of incidents of my country home life in the little village of Loretta, in Central Pennsylvania. Going about daily I will see some incident that will bring some pleasant recollection or happy thought to my mind. I had one a few weeks ago, that I think is perhaps appropriate to tell you about.

My wife, who graces this meeting, with your kindly permission and at your invitation [applause]—my wife had a very pretty maid, and I had a very handsome farmhand, and the two fell in love with each other. The maid was accustomed to the ways of New York society, while the man, who was honest and straightforward, was a man who had been accustomed to the ways of the country. However, in due time, the wedding took place.

We were all present, and greatly overjoyed at the happy mar-

riage—the bride with her face wreathed in smiles of happiness, and the groom a picture of keen satisfaction. When the ceremony was completed, I turned to him, and said, "John, you have forgotten to greet the bride." John said, "By George, you are right," and taking her by the hand, he said, "I am happy to meet you." [Laughter.]

Now, my friends, he might have said a great deal more, but he could not have expressed more, either of his love or sentiment, than he did express. And so your humble speaker today, however uncouth, however unpolished may have been his words, however irregular may be the formation of his sentences, no man, with all the eloquence of your President, or of Mr. Depew, or of Demosthenes, could express a sentiment deeper than that which I feel in my heart this moment, which wells up into my breast and overwhelms me. This is something that will live while life lasts, something that has brought a thrill of satisfaction that is inexpressible in words.

American citizens deserve no credit for doing their best to protect their country. There is scarcely an American citizen who has not done that thing. There is not an American citizen who would not do the same thing over again, whatever might be the consequences. [Applause.] Our country first, our country all the time. We would not be worthy of the name of Americans if we did not have that desire, that willingness to do something—anything—for our country and our fellow man. [Applause.]

While I was glad to do my humble part in the War, and was happy in the doing of it, if I had but one supreme wish to express at this moment, that wish would be that I could contribute, in like manner, to the winning of peace, as we all did to the winning of the War. [Applause.] Let us, therefore, represented by this great Chamber, with all the distinguished men who are its members—let us, therefore, lend our efforts to the winning of a successful peace for the world and for ourselves, and for this beloved country of ours, that has been and always will be at the top of all nations of the earth. [Applause.]

Not only has God endowed us with great natural resources, but he has endowed us with a citizenship so full of patriotism, so founded on integrity, honor, and righteous feeling, that this

country must go onward and forward. I am an optimist; I always have been an optimist. I hope I never shall be anything but an optimist; and as to the future of this great and glorious country of ours, any man who is not an optimist, I am sure, could never be admitted to membership in the New York Chamber of Commerce, which typifies and exemplifies the very highest order of American citizenship.

My friends, thank you, thank you, thank you a thousand times. Emotion breaks my voice, and I can say no more but "thank you." [Applause.]



STUART PRATT SHERMAN

TO BUSINESS MEN ONLY

The sudden death of Stuart Sherman on August 21, 1926, removed one of our most distinguished men of letters and critics. Born at Anita, Iowa, in 1881, professor of English literature at the University of Illinois from 1911 to 1924, he already had a notable reputation when he became literary editor of *The New York Herald-Tribune* in 1924. The address which follows is of unusual interest because Mr. Sherman was speaking for the literary profession to an assembly of business men and executives. It was delivered before the Rotary Club of New York in 1925, and was printed in *McNaught's Magazine.*

GENTLEMEN: In your graver hours, you successful business men think of literature as an amusement with which women and children divert themselves while two-fisted executives are directing the world's work. In more indulgent moods, perhaps you concede that literature is the paper frill with which dainty persons take hold of the lamb chops at the banquet of life. The secretary of your dinner club explained to me the conception of the literary profession prevalent among your members. He has courteously invited me, if I have any criticism of the "rating" which you give the literary profession, to explain—frankly, as man to man, "what the devil is the use of literature anyway—such stuff as we are producing nowadays."

I will be as frank as possible. But I doubt whether I can tell you here what I have in mind. The place is too public. There are too many of you here—too many successful business men staring with blank incredulity at the strange apparition of an unsuccessful author in your midst. I am not, you see, a hardened public speaker. In fact, I do not much approve of speaking as a profession. Almost by necessity, public speaking leads to charlatanism. The orator must speak in headlines and

capital letters. He must simplify and dilute. He must roar out, with punching emphasis and without modulation, what ought, in the interest of truth, to be uttered conversationally or in an undertone, with delicate shadings and qualifications. Jove, Jehovah, all the gods, are represented as having voices that could have filled Madison Square Garden without effort or the use of amplifiers; yet They never attempted to address the Jewish or the Greek people *en masse;* all the important "messages" were delivered to one or two auditors in lonely places in the mountains. No matter how hard a man tries, he can seldom speak truth to more than two or three persons at once.

But, gentlemen, let us speak about something less volatile, less abstract, less impalpable than truth. Let us have something concrete before us. Let us talk about food, keeping close to realities. There is a restaurant in town which serves excellent food. Oh, doubtless there are several! I speak of one that I know. It serves superior food regularly to hundreds of people daily, probably to thousands. By superior food, I mean that which retains the shape and flavor and fragrance which belong to it, and I am thinking especially of fruits and vegetables, to which nature has imparted flavors and aromas hardly to be improved by art. I have been lunching weekly at this restaurant for a year or more; and I have never known its quality to fail. Recently I learned how its high standard is maintained. In its kitchens there are no cauldrons in which, for example, the exquisite young flesh of beets is stewed up in vast messes to feed multitudes. Though thousands are served, all food is prepared in portions for eight. No more.

I seize upon this concrete fact as a text and a symbol. Presently I will use it in "apologizing" for the literary profession. But put that out of your minds for the moment.

In this little fact which I have just related, I find a suggestive symbol of our big American "problem" at the present time. To feed a hundred million people. To feed them everything they want. To feed them bread and meat, and also politics, religion, science, art, and letters. To satisfy their hungers. And yet, not to feed them the soft shapeless pasteurized mash and claptrap which must apparently be served when everything is prepared and messed up together in Gargantuan caul-

drons, destroying the edge, form, flavor, and fragrance of our individual perception of things.

My restaurant, in its "small corner," has solved the national problem *in its latest aspect*. We others, most of us, are still stolidly working away at the first, gross, large aspect of the problem, namely, how to feed a hundred million people at a time. Of course we shall always have to keep plugging away at that. We shall always have to keep the familiar mechanisms of large scale production in repair. We shall probably always have certain uses for orators and billboards and headlines and skysigns; for standard oil, and standard tobacco, collars, and tooth brushes; for common schools and public universities and federal legislation and broadcasting and national conferences and clubs. When people are hungry enough they will eat shoe leather; when they are thirsty enough, they will drink ditch water—if nothing better is to be had. So naturally they will always prefer a standardized article to anything *below* the standard.

But here is the exciting thing to be meditated on by all live purveyors to the public. One hundred millions are less hungry and more fastidious than they were! They don't relish shoe leather and ditch water and communal soup as they used to relish these things. They are beginning, here and there, to inquire who is working effectively on the second phase of the national problem: how to feed a hundred million people without taking all the flavor out of their food. There is a loudening murmur of discontent over many of the triumphs of our large scale production—a discontent traceable directly to *the development and sharpening of individual taste* in the intercourse of a fairly rich, well-nourished but relatively gross and undiscriminating national society. If organizations are going to keep pace with the taste of the time, they will have to learn more and more how to individualize their business.

The low respect which successful business men often exhibit for the profession of letters is due, I believe, largely to this: authors cannot be organized into powerful corporations, headed by able executives, and led successfully into business "on a commercially profitable scale."

Since the literary market is enormous, the idea has often

tempted organizing imaginations in the editorial world. And authors themselves are constantly getting up leagues, clubs and societies, and dining together to talk about their interests, as if they were really as capable of effective association in the production of literature as automobile manufacturers are capable of effective association in the production of cars.

But very little which the world will not willingly let die was ever written by an association of authors. A good writer is incorrigibly an individualist and a handicraftsman. In the bottom of his heart there is an unvanquishable hostility towards all machinery and towards all institutions which show any inclination towards using him as a cog or as a spokesman. He insists on speaking as one man to another, even when he is writing for one of those popular weeklies which reach a million readers. If he doesn't insist, he soon drops from the literary into the manufacturing class.

There is a significant distinction between the orator and the writer. The orator must be prepared to move a mass of men at once. The writer addresses himself to one man at a time. If Conrad had been asked to write a story for a million readers, I fancy he would have desired to reach them all and to entertain them all. But certainly he would have refused to "write down," to coarsen and vulgarize his truth, or to take the individual color and flavor out of it. His problem would have been to induce that elephantine public to incline its great ear near enough to overhear him telling his story, with all its fine shadings of truth, into the ear of one intelligent crony. That is the way good stories are told.

To seize a megaphone and to become the mouthpiece of a political party, or of a church, or of a traditional interest, or of a social class, or of the Army or the Navy, or big or little business, or feminism, prohibition, or other organized reform, that is an easy and safe form of authorship, which at once insures you a constituency and a backing and a bodyguard. It places you in the organized world. It makes you a part of the elaborate system of institutions in which we live and have our being.

But the young generation in which we are now living is obviously weary of listening to every type of "official spokes-

man," who goes on pouring out the "truth" to which he has been committed by the makers of his platform, by the code of his class, by the Good and the Beautiful as defined in 1880, by the Constitution of the United States, by the Apostles' Creed, or by the Book of Genesis. What the "official spokesman" says, may be as nutritious as boiled potatoes and as wholesome. But to the fastidious taste of the coming generation it lacks flavor. It is obnoxious from a lack of individual distinction. It is flat with a kind of mild, respectable, decorous insincerity.

Attempting to tell the truth as a free individual renders life at the same time more difficult and more zestful. The effort usually pleases individuals, and those of the most interesting sort. It pleases those who are themselves engaged in the same difficult, zestful enterprise.

On the other hand, all efforts at truth-telling may be faithfully counted on to offend some organization or institution. If I may judge from my own experience, a detached individual rarely complains that a writer has hurt his feelings or wounded his sensibilities. Relatively speaking, the feelings of an individual are seldom hypersensitive. Letters of pained remonstrance usually originate in organizations and institutions. The most sensitive thing in the world seems to be an association with a president and a secretary.

Meditate on that fact, and you will understand why so many writers come to believe that institutions and organizations are unfriendly to truth. In general, why *should* they be friendly? Often their lives depend on something else. There are other things than truth in this world—other things in which most institutions are vastly more concerned: such vital things as their own perpetuation, power, and progress. The institutions of which the master passion is the pursuit and promulgation of pure truth are, in number, negligible.

In the long run, the best friends of an honest writer will never be institutions but always individuals. The institution is always disposed to urge a writer to cut off his nose to save his face. But no individual as such proposes that sort of surgery. For example, probably no individual ever really desired to have a book suppressed—at least, not till after he had read it.

Consider once again, for a moment, this matter of censoring books.

The only book which is worth writing or reading is one which makes some discovery about life. An author who advances literature in any measurable degree is always a discoverer. He comes before you saying: "Here, gentlemen, is the report of a discovery which I have made about myself and about yourselves and about all of us. I don't know just what it is worth —perhaps less than I hope. I don't know what you will think of it. But there it is: my honest exploration of life, my report on life, intended as my contribution to what Socrates regarded as the philosopher's business—self-knowledge and self-acknowledgment."

To that sort of announcement the individual man, taken off by himself, invariably responds: "Give me that book. That is precisely the book I want. No other sort is worth reading."

But that identical individual, if he happens to be an official or a leading member of any organization, that same individual is capable of putting the book under his coat and crying: "Suppress that book! Truth is dangerous. Truth is contagious. Truth is shocking and subversive. For God's sake, tell us anything you like but the truth."

The comic aspect of the matter is equally illustrative. Not long ago I wrote an article on George Washington based on the recent publication of his diaries and on other researches. In the course of it, I happened, following Roscoe Thayer, to explain the austere jutting out of Washington's lower jaw by the fact that he wore a set of badly fitting false teeth. Instantly South California was up in arms. That is a slight exaggeration. What I mean is, that I received at least twelve pages of letters from Daughters of the American Forefathers, Southern California Branch, protesting against my article as disrespectful, disreputable, improper, insulting, and perhaps even a treasonable blow at a sacred American institution.

It did not occur to any of the embattled ladies, who wrote to me so passionately, to deny that Washington wore a badly fitting set of false teeth. None of them denied that the little fragment of truth about the teeth had excited and interested them more than Washington's State Papers or his Farewell Ad-

dress. None of them denied that those teeth had brought the Father of their Country home to them, so to speak, like their own fathers and grandfathers.

But as members of an organization established for the purpose of keeping ancestral gravestones in perfect repair and schoolhouse busts of the Fathers covered with an impeccable coat of whitewash, they were in honor bound to protest against the little searching touch of truth which brought the dead to life.

On another occasion I wrote a small article on religion. I said first, that men had always put under the protection of God the things in which they believed. I said that we no longer believe in witchcraft, infant damnation, and the Ptolemaic astronomy. I said that we do believe, in these days, in science, in health, and in a considerable amount of mutual forbearance. Accordingly, I said, it is right for us to put these things under the protection of God, and to think of them as among the lively interests of God.

I have a good friend in, let us say, Tennessee. Man to man, he believes just about as I do concerning these things. But he is more than a man! He is a Scotchman, an Old Puritan, a Blond Nordic, and I sometimes suspect he is a Kleagle. He read the article and he said that it made him "sick." I asked him why. He said: "I want a God with *guts!* and a real Heaven! and a Hell that burns!"

I told him not to be worried about God, for whatever God was recognized in any age would be a God with power to act and to enforce his will and his real interests. "But for the sake of argument," I said, "suppose there isn't a Hell that burns. Should you want me as a writer to keep on insisting in print that there is one?"

"Certainly," he replied. "I've *got* to have a Hell that burns."

I probed for some time to discover why a brimstone Hell was so indispensable to his happiness that he was willing to have me lie about it in order to have one at hand. At last I learned that the only real use to which he proposed to put the Hell was to burn the newly elected Catholic mayor of his town.

Well, there you are. That is the sort of pressure which over-organized, over-institutionalized men are always bringing to

bear upon a writer to deflect him from the plain pathway of truth, and to use him in bolstering up institutions which are crumbling with dry-rot.

I am not speaking, gentlemen, against institutions. They have a right to influence me all they can. Many sorts of organizations and associations influence me daily. I am glad that they do. I should be inhuman if I were not influenced and impressed by them. In the long run, I hope that what I write may be useful and not injurious to them. But if I am to be useful to them, if I am to make any contribution to their life, I must, to a certain extent, resist as well as yield to them. As I look at the matter, there is a real necessity for distinguishing the function of the writer from the function of institutions.

Political parties, churches, universities, and all similar associations, together with the clubs and organizations of successful business men, are engaged in a great campaign, with large purposes and grand objectives. They are doing a magnificent work. They are civilizing the hundred million. They are feeding, clothing, housing, baptizing, educating, and making standard Americans of us by battalions and regiments. Taken all together, these agencies may be considered as the grand general staff directing the main advance of the men in uniform, "the armed citizenry."

Where, then, do the authors of our books come in—seven to ten thousand of them annually? Where do all our newspapers and magazines and reviews, our novelists and poets and biographers and historians, come into the scheme—with their enormous, many-sided, and bewildering "report on life"?

Often you complain, you successful business men, you complain that the literary fellows don't march, don't keep step, don't fight, are poor men in the ranks, are not "encouraging the game" —meaning, of course, *your* game.

Well, in this connection, the more I think of it the more I am inclined to believe that literature and the literary men actually serve *you* best by not wearing uniform, by not marching, by not fighting, and by not keeping step.

I'll tell you exactly why. The success of every big modern campaign in war or in business depends, I understand, largely

upon the efficiency and freedom of its information and research departments. Literature and literary men ought to be regarded by institutions and organizations as their *Information Department,* as that chiefly. The Propaganda Department is another branch of the "service," which operates far behind the "firing line."

Now, if the General Staff has decided that an army is to advance into new territory, it does not wish its Information Department to get into the ranks and march. Still less does it wish its Information Department to jump on the ramparts and yell, "Hooray, boys, we're with you. Go ahead." Even less than that, does it wish its Information Department to get together and spin out of its own brains rosy, fictitious bulletins about the land that lies on the other side of the trenches.

No: what it wants of the Information Department is *information!* It wants accurate, full, exhaustive information concerning what it is up against—just as detailed and accurate as can be made. Writers who are furnishing you such information, whether it is about what is going on in South America or what is going on inside their own heads, are not idle fellows. They are busy about their function. That is their job. That is what they can do better than anyone else.

In order to get that sort of information about human life; about American society, about what people are feeling and thinking, believing and hoping at this hour, your writers have got to be given the freedom of scouts and explorers. You can't regiment them. You can't keep them altogether in marching step. They must go ahead of the line. You can't tell them in advance what they are to find. And you are a perverse general staff if you attempt to dictate to them in advance what they are to report when they return from scouting and exploring. The business of an information department is to find *what there is there,* and to report what it finds.

If you will treat your writers like that, if you will try to see your writers of all sorts in that relation to your own activities, if you form the habit of regarding books and reviews as reports on life, I think you will find that you have in current literature an extraordinarily sensitive register of the changing temper and morale of your fellow men, indispensably valuable to you in

understanding the conditions in which you must work out your own problems.

Have you not recognized this as one of your problems: that dry-rot tends to come creeping into an old established business? The thing is paralleled in all institutions and organizations. Dry-rot creeps into the state, into the church, into the university, into literature, into the finished and established upper stratum of society itself. All institutional bodies which attempt inflexibly to perpetuate themselves according to the principles on which they were founded—without growth, without expansion, without fresh discovery, without the admission of new life—all such are headed towards decay and death.

In current literature, if you know how to use it, you may learn how to keep your business, your institutions, in touch with the generation which is coming up now and is going to inherit by and by, whether you like it or not. Unless you wish a complete breach of continuity between the old times and the new, you had better come to some "understanding" with the heirs. And you will get the most trustworthy reports about them if you encourage your writers to report to you not as officials but as individuals, preserving faithfully the edge and flavor of their own perceptions of life. For good writers, like the managers of my restaurant, serve thousands well "by cooking in portions for eight."

ALFRED EMANUEL SMITH

A BUSINESS ADMINISTRATION

There have been few recent political careers so remarkable as that of Alfred E. Smith. He was born in New York in 1873, served as a member of the New York Assembly from 1903 to 1915, becoming speaker in 1913. He held various offices in New York City and was elected governor of the state for 1919. and 1920, again for 1923 and 1924, and for a third time for 1925 and 1926. He was a prominent candidate for the Democratic nomination for president in 1924. As governor of New York State he has won the approval of all by his detailed knowledge and able administration of the business of the state. Although it is sometimes said that our public business is not as well managed as private business in this country, yet these two volumes of business addresses bear witness to some notable examples of business ability in public men. Attention may be called to the addresses by Vice-president Dawes, Secretary Hoover, Secretary Mellon, and Mr. Owen D. Young, as well as to the following address by Governor Smith delivered in November, 1922, before the New York Chamber of Commerce on the occasion of his second election to the governorship.

MR. PRESIDENT, GUESTS AND MEMBERS OF THE CHAMBER OF COMMERCE:—I very much liked the quiet tip of the Chairman that short speeches are in order.

I remember one day there was quite a hearing in the Assembly Chamber on an appropriation bill to build what was known as the great western gateway between the city of Schenectady and the village of Scotia, and spread around the Chamber were a number of maps and engineers' profiles, and long and lengthy arguments going into hours and hours. And a clergyman came down from Schenectady who, when it was his time to talk, rose and said: "Governor, I am a great believer that short sermons bring large collections. Now," he said,

"everybody in Schenectady wants this bridge, and if you give it to them you will be helping the city of Schenectady, you will be helping the state, you will be helping the country, and God will bless you for it." And he sat down. When he was on his way out, one of the attachés of the Executive Chamber stopped him and said, "Father, that was quite a long speech you made." "Well," he answered, "I heard he was going to sign it anyway." [Laughter.]

I can think of nothing more cruel than to have that menu card of 130 years ago read off, following the announcement by the Chairman that this was a grape juice cocktail. The Judge and myself had got to believe it was better.

Well, I did my best to be a business man. [Laughter and applause.] I thought I was making a wonderful success of it. I saw myself the boss of all small transportation throughout the metropolis, figuring on establishing trucking routes between New York and adjacent cities that would make the railroads feel rather sick. But I could not stay at it. I have been called home again.

I had an interesting letter the other day, among the thousands of congratulations, from a man outside of Middletown, in Orange County. He said, "Dear Al, Did you see the way our village went? Great, wasn't it? Before you leave do you want to buy any hay for the horses?" He had probably figured there would be nothing at all in Albany for him, and if he got his at all he had better get it before I left.

I will confess that on the Saturday night before election I was in a frame of mind that led me to make the solemn declaration to myself that I would never make another speech. After three weeks all over the State, night and day, I said to some of the attachés of the Biltmore headquarters, "I feel sorry for the first man that asks me to make a speech." But I could hardly resist the temptation when Mr. Schwab and Mr. Kingsley asked me to come here to-night, and I did not attempt to resist it. I said right out that I would be glad to attend the Annual Dinner of the Chamber of Commerce, as I would also be glad to go to the anniversary meeting to-morrow night in Madison Square Garden of the Merchants' Association, because I do not regard these in the nature of birthday dinners or testimonials

to some fellow who lived long enough to gather a number of people around him to give him a dinner, and because I rather look upon them as having something to do in the way of the prosperity and the betterment of the city. I am intensely interested in that, and I feel that I have come to a dinner of this kind in a kind of quasi-official capacity, getting ready, so to speak, for what we have before us.

I am prompted to say something about the Barge Canal, because the Chairman spoke about it. Now, if I came here to-night and just made a little fancy speech and sat down, then went away, you would probably be satisfied. I could induce myself to believe I was satisfied. But I would not really be, because I would like to say something to you that means something. For this reason: There is a certain distance that the State can go, and when the State stops, private effort and private initiative and private enterprise must take up at that point. That is exactly where we are to-day with the State's Canal. It cost one hundred and fifty-seven million dollars. About one hundred and forty million of it is represented in bond issues. The rest of it is in direct appropriations from the current revenues of the State.

The Canal is finished; the terminals are about finished; the principal terminals are all finished. What the Canal needs now is business. Nobody can supply that except the business men of the State. There is more tonnage to be moved on the Canal to-day than there are canal boats to carry it. It is coming by rail into New York because there are no facilities for water transportation.

Now, certainly the State can do nothing about that. It costs nearly a quarter of a million a year to operate the Canal. Aside from extraordinary expenses due to damage by ice during the winter or a breakdown of the lock machinery, the ordinary expenses of it are in excess of a quarter of a million dollars a year.

What does the State want to do with it? Or what do the business men want to do with it? In 1920, we prepared a series of moving pictures of the Barge Canal, and the Superintendent of Public Works went throughout the State along the line of the Canal and spoke at great length on the pos-

sibilities of water transportation, backed up by pictures that told the whole story. My suggestion is that if the State is to get the benefit from the Canal, if the people are to realize upon their investment, Chambers of Commerce and business men's organizations must, through some agency that they can put into operation or bring to their command, induce people to build canal boats and put them on the Canal. It sounds easy. I know it is hard to do, but it is such a simple thing you don't have to think about it twice. That is the only thing to do if the Canal is going to be profitable or if you are going to get any return from your investment.

The Chamber of Commerce played such a large part in the preliminary working up of the plans for the treaty with the State of New Jersey for port development, that it is a subject I figure the Chamber of Commerce must certainly have a great interest in. But, like all other business and civic bodies, they regard a thing finished too soon. They are too satisfied that everything is all right. Everything is not all right as far as the Port Authority is concerned. And I speak as a member of the Port Authority and as one very much interested in it.

Let us see what happened. After a series of conferences with the State of New Jersey we agreed upon a treaty. That treaty was passed, was ratified by Congress, and had the approval of the President. With it there was adopted a plan which had the approval of the legislatures of both States. The plan was ratified by Congress and approved by the President. The very essence of the plan is coöperation on the part of the people most interested, and these are the great trunk line railroad systems. Are we getting that coöperation? We are not. And I firmly believe in calling a spade a spade and talking right out, because there is no use bringing a message if you cover it up with fine chocolate so that nobody will understand what it is. [Applause.] With the exception of a very few men at the head of the great railroad systems, the railroads are not cooperating with the Port Authority. On the contrary, they have taken a position that rather indicates—in fact, does indicate—that they would prefer to let New York lumber along as best she can under the old-fashioned system, fifty or more years of

age, which has crippled the Port at the time when she ought to be of the greatest service to the whole country.

There is nothing more that the State can do. Unification of the railroad systems on the Jersey shore is now the pressing thing. Certainly the State of New York can do nothing about that. Nor even the State of New Jersey. We are bound to pay our respects and give our attention to the "due process of law" clause in the State and Federal Constitutions. But there is something that the Chamber of Commerce can do about it. They started this thing. They took a large part in the early proceedings, and it is a mistake for the Chamber to think that the thing is all finished because the plan is adopted, for it is not. The plan so far is nothing more or less than a blueprint or a map. It can only be put into operation when the driving force of vigorous public opinion is put behind it so that the men who are standing in its way will understand that they are doing a little more than protecting what they think to be the interests of their particular roads. They are standing in the way of the development of the greatest port in the country.

So that is a job that I will commit to the Chamber to-night to work out in any way they can, through any committee they may have or any agency they may have at their command. The railroad presidents and the interested people will probably pay some attention to the Merchants' Association and to the Board of Trade and to the Chamber of Commerce—if they don't pay it to the Port Authority.

I feel very grateful to the Chamber of Commerce for the vigorous and healthy support they gave to me in the two years that I was in Albany in the efforts that I made to reorganize the government of this State by Constitutional amendment. I am satisfied that it is right. I am satisfied that we can have no lasting or permanent economy in the government of this State until we reorganize this old, rusted machinery with which we are trying to run the State—a set of rules made for the State fifty years ago when its total expenditures were less than five million dollars. Now, when we have reached the point of one hundred and forty-five million dollars, we are trying to run the State with the same kind of machinery. It is impossible to

do it. It is just as essential to the State as it was to the National Government that we have some form of Executive Budget if we are going to have any lasting economy [prolonged and lasting applause] so that there can be some one person that everybody can look to and say, "It is up to you; it is your responsibility to make good."

At the present time if I did not know exactly what I was going up against on the first of January, it would scare me. But I have been at it and I can take the second "hook" without hurting myself [laughter] because I know what it is.

Coupled with the program of reorganization is an amendment to lengthen the term of the Governor. It is a positive joke to be electing a Governor of this State for two years. Everybody knows it. [Applause.] He is just in there a year and a half—when he is running again. [Laughter.] I say this in a very serious way, because I have had the personal experience. I care not who the man is, he may be the greatest student of government we have—I mean the man who studies it from books—unless he has spent a considerable number of years in the legislature, if he goes up to Albany he will be there two years before he will know what is going on right around the very room that he is in. [Laughter.] I remember one day—I thought I was there long enough—one of the assistant secretaries came in and said, "There is a vacancy to be filled." I said, "What is it?" "Well," he said, "we have a resignation from a member of the Board of Geographical Names" [laughter], and I said to him, "That is a new one on me." [Laughter.] I thought I had heard about everything up there, but that was a new one on me. I said, "I have nobody to appoint to that job because I don't understand the duties of it myself." I said, "You go over to the Department of Education and see Dr. Finley and tell him to give me on paper the name of a man that fits that job and I will appoint him." [Laughter.] So that these are things that we have to have some public sentiment behind.

Now, I want to say to the Chamber of Commerce that the Chamber fell down on its program. They saw it 75 per cent through and they quit.

[Several voices]: Which program?

GOVERNOR SMITH.—The Reorganization Program. They stood behind it. One of the members of the Reconstruction Commission that was Chairman of its Committee on Reorganization of the Government was a former President of the Chamber, Mr. Marling, and when he had it 75 per cent through, everybody lay down and let it die and postponed the whole governmental reform for three or four years. Now we are going to start it again. Let the Committee get busy on that, and keep after these men in the legislature. I was happy in my time up there. I represented a district that did not expect very much from me [laughter] and it gave me an opportunity, in view of that, to broaden out and try and serve the whole State, and that is the reason why, I suppose, that in time I was promoted.

Now, these men want to do the right thing, but they want to hear from the folks at home once in a while. They want to know how big business organizations feel about things, and we are all more or less prone to under-estimate our own strength. Don't under-estimate the strength of the Chamber of Commerce when it comes to legislative matters. It means a great deal if a man can go in before a committee of the legislature with a letter or an endorsement or a resolution coming from the Chamber of Commerce or from any large gathering of business men; it has real effect; it really means something. So I think the Chamber ought not to be backward in the exercise of the power that it really has along lines that are helpful to the City and helpful to the State.

You have these three big things that I speak about to-night because they come into my mind first: The proper use of the Canal, the Port Authority, and the Reorganization of the Government—and the Chairman of the Public Service Commission, smiling up at me, suggests that we have a big problem down here of transit.

Now, I approach the solution of these problems with an open mind, and ready to confer, and ready for help, and ready to receive assistance. No man can go to Albany and do this job himself. The man doesn't live who can do it all. You are expected to greet all the brides and grooms that stop in Albany on their way to Niagara Falls [laughter]; shake hands with

the countless thousands of people that come visiting the State; and the representatives of other States and other countries that come to study the Highway Department and study the Educational Department—you cannot be cold about it and not see them—you have a certain amount of handshaking to do every day, a certain number of people that you must listen to, a certain number of projects laid before you, a certain number of legislative proposals that you have to initiate yourself and study, and you have people from all parts of the State interested in the things that have to do with the welfare of the State's institutions and our work and you have to sit down and talk to them. When a man does all that, he has to have help. That is what I want. I want help [applause] because if I do not get it—if I do not get it and anybody finds any fault with me I shall have an opportunity to be on the dais again next year—if not this one, some other one—and I will tell whose fault it is. [Laughter.]

I am very thankful for the invitation to come to the dinner, and thankful for the opportunity to speak to so many of my brother business men before I leave the business field again and go back to public life, and I invite, seek, ask for and beseech the hearty coöperation of the Chamber of Commerce, not only in the things that I have mentioned, but in any other things which they feel or think they ought to have any interest in, assuring them that I am ready to work with them at any hour of the day or night. [Thunderous applause.]

ORA SNYDER

THE WOMAN EMPLOYER

Mrs. Ora Snyder is head of the Mrs. Snyder's Candy Shops in Chicago, and a most successful business woman. This address was delivered at the Conference of Women Interested in Industry at the Thirtieth Annual Convention of the National Association of Manufacturers in St. Louis, October, 1925.

MADAM CHAIRMAN, LADIES AND GENTLEMEN:—I surely feel grateful to be the first speaker to-day after hearing what Mr. Constantine had to say, and I am very happy to be here to prove to you that there is a Mrs. Snyder.

In my own city many people think the name of "Mrs. Snyder" is a fictitious name, which makes me think of the first little girl I had as a salesgirl. This little girl lisped, and one day a customer came in and said, "Is there such a person as Mrs. Snyder?" The little girl said, "Oh, yes." The customer said, "You know I had an idea she was 'Miss'." "Oh, no," said the little girl, "she is a Mrs." And it has been a personal interest with me, that is a personal pride.

I shall never sell my business, or my name, although reports have been current that I received a million dollars for my business.

My argument has always been that any business could be started with very little capital, providing you had an article of merit. Illness in my family prompted my venture into business, and I have the unique record of starting with five cents capital and never having borrowed a penny to further the business.

I find a successful sales person is one who can smile. I tell my girls that if they haven't enough smiles to go around, not to give them to me, but to give them to the customers, as they are the ones who make our salaries possible.

Once I had a little girl who could not smile, and I thought perhaps the other little girls in the shop didn't like her, so I asked her one day if she were troubled, and she said she had no troubles. I said, "You are such a pretty little girl, but you are not pretty often. You could be pretty all the time if you wanted to; just what seems to be the trouble?" She replied, "Well, I think I worked too long for the telephone company. I was with them three years." There is a sermon right there. We should have a smile in our voices as well as in our faces.

One girl I had resigned. She said, "I am leaving you Saturday night. I have a position where I don't have to smile," and I said, "That is extremely interesting; and where are you going?" She said, "Into a bank." That was her version of the banker. One day I had occasion to tell that to a bank president and the story went through all the banks.

Mr. Snyder's illness was really what prompted my going into business. When he began to get better, I said, "Why wait for the inevitable? You are working for a corporation. I can't see how we are going to get very far." Our little daughter was then in high school, and could do without her mother as her grandmother was there. I do not approve of any mother neglecting her family and going into business unless it is absolutely necessary. Her work is to raise her family, and the proudest distinction she can have is to be a mother. I am proud of that.

I have seven shops and am opening another one on the first of December. These shops are not open evenings, Sundays or holidays. We are open from nine in the morning until six at night. In other words, I will not ask any girl to do anything for me that I would not do myself.

In each shop there is a manager, her assistant and her crew of help. The manager is there because of long and faithful service, and is watching her assistants in more ways than one.

Caring for Employees

We have many pretty girls, and if they have too many telephone calls we tap the wire, not only for our own good, but

for the little girl's good. We try her in several instances and we lecture her and try to put her on the right track. We have succeeded in all but two cases in my sixteen years of experience.

I once had a customer come into the shop and insist on whispering over the counter to the little girl behind the counter. I called the little girl away from the customer and said, "I wish you would finish trimming this window while I wait on this gentleman." He immediately told me what he wanted and went out. When he had gone the little girl turned to me and said, "Mrs. Snyder, that was one of the old customers where I used to work. You insulted him." I said, "I hope I did. I hope I never have to accept a penny from a man who comes in here for the purpose that he came in here for. Any man who is a gentleman does not have to whisper."

We do not have the girls wear uniforms in the shop, because I like individuality. So does the customer. Mr. Jones or Mr. Brown is very much pleased to have one of the girls say, "Good morning, Mr. Jones"—or, "Mr. Brown, what selection can I pack for you this morning?" Every customer is given a sample, because we like to have her leave the shop with a good taste in her mouth, literally.

We give away many tons of candy during the year, for I consider this the best form of advertising. I try to bring a little humor into the shop each day. When an employee has a grievance, I hear her story and tell her I will take the matter up with her in an hour, thereby giving myself a chance to figure the thing out from both angles. I never display anger.

When a girl applies for a position we ask her to write her name and address. Perhaps she has been downtown shopping. We take particular note of her finger nails. Perhaps this little girl hasn't the price of a pair of gloves. We ask the little girl to call the next morning. During that time we have purposely lost her name and address, and early in the morning if her hands are not clean she cannot get a position.

Responsibility for Employees

I try placing all the employees on their own initiative and letting each one assume responsibility. I found that one of the

hardest problems that I had to overcome was in shifting responsibility. I insist that employees say "Good morning" to each other, and also "Good night."

Now and then, I have a get-together dinner for the store employees, for instance, and have an experience meeting. One manager is a salesgirl, and another manager is one of her "fussiest" customers. This is the most instructive part and still is a vaudeville entertainment. The girls imitate the "fussing" customer, and in dealing with the public they are not at all amicable.

I believe in praise and insist on punctuality. Many times I try out prospective employees to see how punctual they are, by making an appointment to meet them. It proves much, in my estimation, about their efficiency. Three of my shops are so small that my salesgirls are picked for size. That seems a strange thing but our space is valuable and in these particular shops three large girls could not work back of the counter.

When any of our kitchen girls have proved their worth and wish to be transferred to one of the shops as salesgirls, I am only too glad to give them the opportunity, and I find that they usually succeed.

I always employed women to help me in the kitchen until the batches were too heavy for the women to handle. When I hired the first male help, I placed a blind ad in the paper and when the man appeared and found that his boss to be was a woman he said, "I am sorry, madam, but I cannot take the job. I can't work for a lady." And I said, "Well, you know if I prove myself a regular fellow don't you think we could get along?" He was with me for seven years and is now in the employ of the City of Chicago.

To-day I have three hundred and twenty-seven employees—forty-five men and two hundred and eighty-two women.

My kitchen is a seven-story building opposite Marshall Field's retail shop, in our Loop district, one of the finest buildings of its kind in the world. My reason for having the kitchens so central is because the candies go to the different shops hourly. All of the employees in the kitchens are in uniform.

We have community spirit in our windows. All through the

building are curtains that are neat and dainty, and they are kept scrupulously clean, although we are right in the Loop district, in "dirty Chicago," as everybody calls it, which I dearly love.

Male Help in Uniform

All of our male employees are in white uniforms and occupy two top floors of our building. We do not allow them to mingle with the girls during the day. They come a half hour earlier in the morning and leave a half hour earlier at night, except when we have parties of families and sweethearts. They love that meeting of their families, and I always attend these parties myself. For the boss, to gain her employees' confidence, to be superior and still be on their level, to gain their respect, is the greatest problem of the employer and employee to-day. We are all servants of the public and we are all equal; every one of my employees is just as good as I am and I am just as good as any one of my employees. That is what I preach to them all the time.

A little girl who came to work for me and who is a university graduate complained that her associates were not even high school graduates. That girl didn't have any business in my shop and I dismissed her for that very reason.

The work in the candy kitchen, while controlled by an electric motor, is hot, so we provide shower baths for the male employees, and insist upon their taking a bath before they go to work and, if they wish, when they get through. We also have an old gentleman stationed in the men's washroom to see that the men do not use bad language and see that they wash their hands before returning to work each time after leaving the lavatory. I have the confidence of the public and I am not going to abuse it. The candy is as clean as if I were going to eat every piece of it myself.

The women employees, wearing gingham uniforms and caps, are divided into separate units with a forelady in each department. They are also supplied with chairs and work eight hours a day. We may not get efficiency by supplying chairs, but we

do have healthier, happier employees who stay on indefinitely, and to my mind it has paid in the end. When they get married they come back to help us out in the rush time. We have a matron in charge of the rest room. We have a colored girl to see that every woman employee washes her hands before returning to work. We have a lunchroom where we make coffee. We do make coffee and they bring their own lunches. We have a piano and victrola. They have community singing, although we do not allow the boys to mingle with the girls.

The men are not allowed to use bad language. I let one of my oldest employees go, because he insisted on swearing. He was one of the finest workmen I had, but the little girls who hear the talk in the halls are all ladies and they shall be treated as such while they are in my employ. We will not employ any one with a skin blemish. They can find work in some other kind of employment.

No Dictation as to Earnings

We do not dictate what they shall do with their earnings. All employees are paid a living wage and can stay on as long as they wish, providing they are honest and clean. I allow no solicitation among the employees. I do not allow the discussion of religion or politics. When employees leave of their own accord, not on account of illness, they are never taken back. We invite inspection of our kitchens and have a visiting day each week.

When you go to your place of business daily with a glad heart and are happy to make other happy about you, life is worth while.

I am not going to take any more of your time. I know the program is heavy. I just want to say that this little business is flourishing. I have tried to be conscientious and use only materials that are the best. To-day, my supplies are: one ton of sugar, one thousand pounds of pecans, one thousand pounds of chocolate, one hundred and twenty-five gallons of sweet cream, sixty-five pounds of butter, two gallons of vanilla, sixty dozen eggs, two hundred and fifty pounds of shelled almonds,

and I pay $100,000 yearly in rental. I am only telling you this to show you how this little business has developed from five cents to the magnitude of the supplies and three hundred and twenty-seven employees.

If you smile until ten o'clock in the morning, the rest of the day will take care of itself. I say, a smile costs us nothing but pays big dividends. I thank you.

HARRY COLLINS SPILLMAN

ADJUSTING OURSELVES TO A NEW ERA IN BUSINESS

This address was delivered before the Twenty-second Annual Convention of the Biscuit and Cracker Manufacturers Association of America, held in Chicago in 1922. Mr. Spillman is manager of the School Dept. of the Remington Typewriter Co. and is well known as a speaker before business and educational organizations. Another speech by Mr. Spillman is printed in Volume III.

ELBERT HUBBARD used to be very fond of saying a great many wise men came from New York. He said the sooner they came, the wiser they were, and that has always been my experience when I get out here to Chicago. I always, for that reason, hark back a little further in my experience and come from Kentucky, because I really came via New York from Kentucky, down where the corn is full of kernels and the colonels are still full of corn. Mr. Volstead had made no great change. In fact, a man wrote me from Louisville and said, "Spillman, from one drug store to the next is still the shortest distance between two pints in Kentucky." I wasn't here at the banquet last night, but I understand the same is true here as in Kentucky.

I have been assigned a very high-sounding subject to talk to you about to-day. Down in my native state some years ago a gentleman was sent by the revenue department of the Government to apprehend a very dangerous distiller of moonshine. The moonshiner had killed off all revenue officers that had been sent to apprehend him, so he had made a very dangerous reputation. The Government sent another and said, "Get that man, dead or alive."

He traveled a few days and came finally to a little ravine where the cabin was situated in which the moonshiner resided.

He knocked on the door, and a little tow-headed boy came out. The revenue officer said, "Son, where is your father?"

He said, "Pap is up at the still making liquor."

"Well," he said, "I'll give you a quarter if you take me up to your pap."

He said, "Sure."

"All right, son, get your cap and take me up to your pap, and when I come back I will give you a quarter."

He said, "Mister, give me the quarter now, you are not coming back."

So every time I come to Chicago to talk on this subject I wonder whether I am going to have the honor of coming back. I think I ought to say, by way of supplementing the things said about me, that I am a school teacher as well as a business man. I got most of my experience in the classroom on the side lines of education. I am pleased to see the great changes coming over education, and the longer I live the more truly I recognize education going on outside of the classroom rather than inside of it. Experience is the master school teacher of the world.

You are here to discuss the problems common to your different communities, I am sure, and to exchange ideas in order that each of you may know what is going on in the other's territory. Some time ago I was reading a fable telling the experience of the wonderful rooster that flew out of his barnyard over into the neighbor's barnyard, and he found a lot of fowls that that he didn't have in his own barnyard. For instance, there were geese and turkeys and ostriches. This rooster came upon a very large ostrich egg, the like he had never seen before, and he was so interested that he pecked at it. When he pecked it caused the egg to roll towards his barnyard. He pecked it again and rolled it under the fence, and when he got inside he clucked and clucked and called all the hens around. The hens came up and looked at the big ostrich egg. The rooster said, "Understand I am not complaining at all, but I want you to know what they are doing in other communities."

You are here to exchange ideas and carry back to your respective neighborhoods the point of common interest to each

other. Now, if I need a text for what I am going to say to you this morning, I think I would find it in James Russell Lowell where he said, "New times demand new methods and new men. The world moves on apace and soon outgrows the laws which in our fathers' day were best."

So we recognize in the beginning this morning and have recognized no doubt for a long time that a great change has come over business, a great change has come over education, and we are facing a new world and we must face it with new methods, with new propaganda, and new ideas of selling.

In the Middle Ages everybody fought and talked about religion. In the Renaissance everybody talked about art and literature; and for the last one hundred years humanity everywhere has been busy talking and studying for the most part about one thing, and that thing was mechanical. That thing was the machine; so we have been busy for the last hundred years in a mechanical way making our things better until we stand to-day in that ridiculous attitude of knowing nearly everything there is to be known about things. Having perfected the wheel the inventor of these wonderful devices stands apart from the things invented and is mystified by his own handiwork. We have lived through a great age of horsepower, and you know horsepower is the power of a horse from the neck back. We must develop another kind of power in the era we are living in now—and that is manpower. I believe during the next ten years organizations like yours are going to have a great deal more to say about the manpower of your industry and less about the technical aspects of it.

I heard a great manufacturer say the other day he wished he could make his men as good as his merchandise. I have an idea that the problem before you men here is that you have made the cracker so good, perhaps not perfect, but so much more perfect than the men selling crackers, that there is no comparison between the goodness of the merchandise and the goodness of the men trying to sell the merchandise. I suspect to-day that if your selling organization was on speaking terms with the quality of your merchandise, you would be in a much better way than you are.

Oh, yes, I think we have all the horsepower we need in the

motor. I think we have to get a little horse sense in the drivers. We need that. We need it in the man. The call everywhere is for manpower; give us better salesmen, better men to direct, better production, finer production. Ah yes, I say this nation depends upon its manpower, and your industry depends upon its manpower. I was brought up in Kentucky, if I may refer to that experience again. My uncle was a wagon maker. He made nearly all the common carriers that ran over the foothills in which I was born and raised. After my uncle finished one of the wagons he rolled it out in the shop yard and a farmer would come along and say, "I'll take one of those wagons, but I want to know how to keep it in repair."

My uncle would say, "You know I don't have to give you written instructions; all you have to do is put axle grease on the wheels every few weeks and the wagon is all right."

Imagine a man buying a Packard automobile to-day and being told all he needs to do is put a little axle grease on the wheels every few weeks. May I ask you what is the difference between a Packard automobile and my uncle's two-horse wagon. Basically, they are the same. They run on four wheels. Ah, there is a wonderful difference in the automobile because the automobile has fifty oiling places whereas my uncle's two-horse wagon had only five points of contact on it—only five places that ever needed to be oiled at all. The automobile has become so highly ramified in its contacts, there are so many more places for friction, that we have to have ball bearings and piston rings and the very finest oils that we can get from nature to lubricate the contact in the automobile and make it run. I tell you that because I think business has undergone exactly that same change that has overtaken my uncle's two-horse wagon.

To-day you touch humanity in so many more places than you did formerly, you are coming in contact with people and with customers in such a different way to-day that you have to lubricate your selling organization, your machinery has to be more fluent and more highly perfected and skilled than it was formerly.

I want to mention briefly this morning some of these important points of contact in the development of the men who sell your merchandise. I shall have little to say about the mer-

chandise for I know very little about it. I don't think the merchandise is half so important as the men selling it. As I have said, if you can make your men as good as your crackers you are all right. I want to speak about some of these highly essential points of contact in the human machinery of your organization.

The first point I want to mention is the mental contact, the most important perhaps in the beginning—the mental contact. The human machine is much below par intellectually. Your selling organization, your directing organization, your producing organization, all the way through has a big lot of wasted motion in intellectual operation.

Rand McNally says the great American desert is out somewhere west of the Rocky Mountains, but he is wrong; the great American desert is under the hat of the average man. That is where we have the undiscovered country. It isn't out yonder, it is up here. There is where we have the waste motion of the world, gentlemen; there is where you have the waste motion in your organization, not in the wheel and different units that go to make up the whole of your fine product, but I say the waste motion is the loss in the intellectual operation of your men in relation to the customer. Yes, we have made a great mechanical progress, a fine mechanical progress, but we haven't made so much intellectual progress, we are just beginning. When we want to know something for certain we have to go back two thousand years and look it up in the source books. We have certain source books and certain source minds. If it is something about philosophy we go to Aristotle and Plato and Socrates; and if we want to know something about religion we go to the Bible. Those are our source books.

To-day in business we have a few source minds. I don't know who the source minds are in your industry, but I know it is a wonderful thing to be a source mind in the cracker business, to have it said your mental operations are right, that you can be relied upon to be accurate in calculating certain vital issues of this enterprise.

Down in Texas they don't have to make Democrats; they just come on down there one generation after the other. If you know what the vital statistics are going to be on the male

side the next ten years, you know what the majority is going to be. And the same is true of Republicans in Pennsylvania. I am a Methodist. Why? Not because I love John Wesley or understand his theology; I am a Methodist because it runs in the family like snoring and obesity and a lot of other things. Had I stopped and thought out my religion I might have been a Baptist or a Presbyterian, you can't tell. I believe in a large measure we are too lazy to think. Elbert Hubbard said: "We would rather go out and lie down and die than do constructive thinking."

Real constructive thinking—don't misunderstand this. Thinking is something very much confused. The next time you are talking with a man about your line and he has been buying the other fellow's wares a long time, and you know yours are better and he ought to buy yours, he listens to you while you talk, but that isn't a sign he is thinking, not at all. He may even shove his nose glasses on the end of his nose and look into space, and you say, "I have got him thinking all right." He isn't thinking at all, he is just readjusting his prejudices, that is all. I say in a large measure we are too lazy to think.

I read somewhere the interesting report of your meeting last year. People over in England eat a great many more crackers than they do in America. Why? Because they think about crackers, that is why. Whenever you find a man who doesn't think about something, he doesn't understand it; and hear me, the high cost of this proposition comes right here, gentlemen, when a man doesn't think, he doesn't understand and whatever he doesn't understand he opposes. That is human nature the world over. Unless you make that man think in some way, unless you stir up his mind and get his mind concentrated upon the merits of your crackers, you can't sell him.

Yesterday in Omaha I saw a wonderful something that made me think of your business. I know it has been a long time since I have seen as attractive a thing as I saw in Omaha yesterday, and it attracted me because I was going to speak here to-day. It was a very fine exhibit of crackers in one of the big stores of Omaha. It was a wonderful exhibit of crackers. No man went down the street without thinking of crackers, in fact, his mouth watered when he looked in the window. The

boys and girls were looking in because the man had connected the exhibits with Wesley Barry and Jackie Coogan, both playing in a nearby theater on the screen, and they were supposed to like these crackers. That window was built up around local color and the real attractive thing about it was how clean the window and the store were. You know cleanliness is next to godliness, and in a grocery store it is next to impossible.

I say any man, any salesman that can give his customer an idea of how to keep the store clean, how to dress up the window, causes him to think along that line, is working up to the very heart of his own proposition. I know a great man who buys goods in the central states and for years he hasn't bought anything from a salesman who didn't give him a bright idea. He said: "After all, you know the products are pretty good, but I put it up to the salesman. He must give service along the line of ideas. I must have a salesman that thinks and enables me to think, so every time he gives me a bright idea I give him credit for it." That is service.

I want to speak about another contact very vital in the experience of your men. I want to speak about the language contact for a minute. The longer I live how much more certain I am I live by my language. Language is a large asset in my life, a large asset in the life of any man doing business anywhere with anything. Darwin made a great reputation by tracing down the origin of man and saying we sprang from a monkey. I don't know whether he is right or not. I don't care. He said we sprang from a monkey. Somebody said it took five thousand years for a monkey to change into a man, but it doesn't take that long to reverse the process. The point I want to make about that is here: Darwin was tracing the rise of the spark of life and he encountered the missing link and that missing link was a language link. We have made the monkey do nearly everything but talk.

So I say in your speech habits you are always superior to the lower animal order. There are a lot of men who look no better than monkeys and act no better, but they can talk better because they can talk some. Language to-day is the highly personified characteristic of this human machine. Language is a more vital part of the personality of your men and of you

than your eyes and hair are, a far more vital part. I would rather undergo a major operation for anything that ailed me in the body than have my language operated upon. I would rather give up my appendix than the adjectives and adverbs that are necessary to the clarity of my expression. I wouldn't mind having a lame body if I always had a strong language. I would rather have weak eyes than weak words. I wouldn't mind having a tin ear if I might have a silver tongue. I know what men do with silver tongues. I know what salesmen do with vital language. They are go-getters, they are the fellows that deliver the blue vase.

It is very sad, gentlemen, because the thing I am talking about this morning—language—can't be bought, borrowed or stolen. The only way to get it is just to take it for nothing. Yet we stagger along through life and allow our sales organization to be impeded in speech without the language to express the richness of the products they are trying to sell.

A man came into our store the other day to sell me something. I suppose I might have bought if I had known enough about it. Pretty soon I saw he was a language pauper. I backed him against the wall and asked him something about his product and pretty soon he began talking with his hands: "You know, Mr. Spillman, you know," and a great many times I don't know and that is the reason I don't buy.

I wonder how many of the organizations represented here to-day would have delivered more crackers last year than you did if your salesmen could have told men the things they wanted to know in the language they ought to have had to express the richness and fullness of your merchandise.

Words, the power of words! Wasn't it the National Biscuit Company that gave five thousand dollars for a single word? They ought to have been ashamed to have taken it for a paltry sum of money. For many years the National Biscuit Company made the people of America do what they would like to have them do by reason of that word. They haven't preëmpted all the English language. There are other words as vital as that one to be applied to the nutritiousness of your merchandise. I say it is language. All right, you say, what is the answer for that? The best way, of course, to make your men better—and

there is only one best way—is to make yourself better. The quickest way I know to make men is by being one yourself. Set the example, be it of mind or of language, before your men. All right, how? Well, you are to-day the same man you were the day you were born, plus the men you have met and the books you have read. That is all.

The Bible is the background of the language of all the great advertising experts of the world, and all the great salesmen have read the Old Testament through and through and memorized its language and mastered its philosophy, because it is true to-day. I am recommending it because I know it improves one's language, if for no other reason. The Bible is the paragon book of all books for vitalizing your language.

Sometimes when I want to vitalize my language a little I look in the New York Library. I don't know whether to take down "If Winter Comes" or "Wells' Outline of History," but I know there is always one book I can take down without any chance of wasting time so far as language is concerned. The longer I read the more certain I am that I shall take up last the book I took up first and finish my education in the University of Abraham Lincoln.

There is one other contact I would mention and that is the courageous contact.

A man at Atlantic City was spending his vacation; of course, he met a woman down there as part of his vacation. He was bashful and backward and wasn't making much progress. He was sitting near the ocean with her and she thought she would encourage him, so she took his arm and passed it affectionately around her waist and looked into his eyes and said, "Oh, why don't you kiss me?"

He said, "I would, but I have sand in my mouth."

She said, "Swallow it, darn you, you need it."

The quality of sand is like the yeast in your bread, just exactly. You need good yeast for your bread and you need good yeast for your men, something to make them rise up and be the men they ought to be and do the things they ought to do.

Sometimes our organizations are half dead and half alive, and sometimes they are more the former than the latter. You know

death is a very mysterious something. It is very greatly misunderstood and frequently misrepresented. I want to tell you every man dies twice. He dies once in the spirit and once in the body, and these two departures from life are not always made concurrently. The date on the tombstone isn't the date the man dies. That is the date society took formal note of his departure, that is all. When he has quit contributing to the thought and progress of his time, that is when a man dies. When hope flees from his breast and his mind ceases to adventure, then he is dead. I don't care whether he is buried or not, it makes no difference, he belongs to what we call the unburied dead. Oh, it is a wonderful thing to live a long life and remain vital through it all. We are dropping off too soon in this life. Methuselah lived nine hundred and sixty-nine years without a bath tub, without a tooth brush; he was never X-rayed, manicured or had his appendix removed. He set an example that shames all of us.

We find men like Chauncey M. Depew, vital past eighty, still contributing to the thought of his time, a man wholly alive; so I say in every human heart there is an evergreen tree, and the name of that tree is "Enthusiasm." As long as this tree flourishes I am a young man, whenever that tree withers, whatever my age, I am old. I have lived long enough to know youth and old age are not fixed stages in life to be written down and averaged up by the life insurance company. The life insurance company never lets me forget that some day I will be a very old man. Every man ought to think about it. The life insurance company can tell you the very day you will be old because they have it figured up and you have to pay by that schedule, but thank God you don't have to live by it.

We have always been afraid of something. Fear, you know, is the hallmark of humanity. We began to be by being afraid, that was what made us conscious. When we first recognized the danger around us, we ceased to be animals. I say fear has had a great part in building up society. But we ought now to lay it off. Now that we have fought off animal dangers we ought to act like men and substitute for that quality of fear something that is bigger and better and finer in the human nature, and that is faith.

Why, I have sometimes tried to recall when I first began to be afraid. It is like trying to remember when I was born; it goes so far back into my past. Fear of something has always existed with us. When I was a child I was afraid of the dark, afraid to go to bed; when I got older I was afraid of my school teacher; when I got in the twenties, I was afraid of my job. Some of you men are afraid of your competitors. And through life great fears chain us down and block our way to larger progress and success in life.

I say to you, the human machine, speaking of our nation as well as your industry, needs to build up this vital point of contact with other nations—faith, courage, hope and belief in the things we want to undertake to do. "Verily, verily, I say unto you, whosoever shall say to a mountain, 'Be thou removed,' and shall not doubt it in his own heart, he shall have whatsoever he sayeth." Now, I didn't write that, but I have a very great measure of respect for that man who did, and when St. Mark said that he meant what he said. I believe every monument and great enterprise erected has been builded by some man who believed that statement of St. Mark, when he said a man to remove a mountain only needed to believe he could do it. So I believe in our life to-day, in the cracker business and every other business, we must have something greater in our lives and hearts than we have to-day and have had the last few years.

What do you believe you can do? What about your faith pattern? You say we live in the scientific age. I want to know for certain. We have learned a few facts about the machine and now we want to know the answer for everything. We have come to be too scientific. We are unwilling to take anything for granted any more. Mr. Edison said not long ago, "I don't know one-half of one per cent about anything." It is rather surprising that he expects other people to know so much. Edison says he does not know what electricity is. Of course not; probably he never will know. He knows something more important about electricity than to know what it is, he knows what it will do.

I was in Fort Myers, Florida, where Edison invented the incandescent light. I saw the very studio and laboratory in

which he perfected it. He went to the little village of Fort Myers and said, "I have perfected my incandescent light. If you will stretch a wire down the main street of this town, I'll make it the first electrically lighted city in the world." Do you know what they said? "We don't know anything about electricity. We won't have anything to do with it."

Sometimes it is hard to be an optimist. Recently I was riding down the street in New Hampshire to fill an engagement. I looked out the car window and saw one of the Rotary signs—those great, inspiring Rotary signs put over the United States. I looked out the window and said: "Let me see what this one says." It read: "Work hard; buy what you need; prosperity is just around the corner." Then the car turned at right angles, on the left I saw a graveyard, and on the right a county jail. I say, gentlemen, I believe it pays to have that attitude of mind.

A man came into my office to sell me life insurance, and after I had bought a little policy I said: "Old man, I meet a great many pessimists. How do you find the life insurance business?"

He reached in his pocket and said: "Mr. Spillman, it isn't so bad. Here is a policy I wrote yesterday on one man's life for five million dollars."

I said, "One man?"

He said, "Yes, one man. Five million dollars; count the ciphers; they are all there."

I said, "Lay it on my desk; my contact with money is largely academic."

He laid the policy down there. He said, "Mr. Spillman, I wrote so much insurance yesterday on one man's life that all the insurance companies in America are not big enough to write it. I have got to go to Europe to get it underwritten."

I know a lot of life insurance agents starving to death in America to-day.

I said, "Mr. Rosen (for it was the great expert, Mr. Harry Rosen), I am speaking to a great many sales forces in America. I wish you would tell me how last year you wrote eighteen men for one million dollars or more, and the average insurance salesman is happy if he can write a quarter of a million all year."

He said, "I am not a genius at all. If there is a reason that

I am better it lies here: I expect in large units. I taught myself a long time ago not to be satisfied, so I don't toy in my mind with small amounts, I think in large terms. No life insurance company has set a quota for me that I haven't been able to make."

Contrast Rosen's mental habits with those of another salesman to whom I said, "Did you get all the business last month you ought to have gotten?"

He said, "I didn't get all I expected to, but then I didn't expect to."

Gentlemen, I know no formula for failure that is so unfailing as that. Blessed is the man who expects nothing, for he shall not be disappointed. If I could only know what you are expecting, if I could only know about your faith contact with society, with your men, and with the world at large, I would prophesy something about the growth of the business. May I tell you what I expected once, as I come to the close of my address?

I was born and brought up in Kentucky, as I told you, in a little town of one thousand inhabitants. My North and South poles were on the same street, one off the school house, and the other by the court house. But I wanted something. Ah, yes, God was very kind to me when he put in me the desire to want things. I have always had a burning desire to get something. My wants haven't always been outrageous. Some of the things I wanted in life I got. The first thing I wanted I got. As I grew up in this little town I wanted something—I wanted a roll top desk. That is what I wanted so all my desires and ambitions were centered around this desk.

There was just one roll top desk in my whole world, and that was in the office of the bank president. He had the luxury of a roll top desk. I wanted that desk, oh how I wanted it! I wanted it so badly I used to stand before the bank of a night, and I guess I lost the sale of a good many papers, waiting to see the president lowering the mechanism of that roll top desk. If I had had the roll top desk, all things would have been added unto me. The important thing was that I began to expect it.

I hadn't been doing that very long until I went to my mother's millinery store one day and found an old fashioned spool case she had thrown out. I said, "Here is the foundation, here is

the beginning of my roll top desk." I took it to our cottage and got a chisel and hammer and saw and went to work on it. Many nights and days I labored on that desk. When I finished it, it was very crude, no paint, no lock. You wouldn't have it, but I look back upon the desk to-day as the finest piece of craftsmanship I have ever been able to build.

Then I said, "What will I do with it?" One of the neighbors said: "After all the roll top desk you have talked about to the neighborhood, you have got it, and what are you going to do with it? You haven't anything to put in it, no mail. You never get a letter."

I decided I would have to get a lot of mail. The banker got a lot of letters, ripped them open and filed them away. So a traveling man came along and I said: "You have been to Louisville, Nashville and Cincinnati, maybe you can tell me something. I have an ambition to get a lot of mail. I have a roll top desk and nothing to put in it, can you tell me how to get a lot of mail?"

He said, "Yes; I'll give you a bright idea, and won't charge you for it. Send your name away to Sears Roebuck and Montgomery Ward."

I sent my name away to Sears Roebuck and Montgomery Ward and they sent me catalogs and circular letters. Soon I began to get a remarkable mail. I guess the post office had its class changed because I got so much mail. We had a tri-daily mail service, very well named tri-daily; that is, the train went to the main line junction every morning and tried to get back that night. It couldn't always make it. Many nights in the winter it was midnight when it came in. It never found me dead; I was always at the post office waiting for my mail.

I took my circular letters home and filed them away and answered them as though I expected to buy something. I have a secret. All the months I carried on that heavy correspondence with Sears Roebuck and Montgomery Ward I never bought five cents worth of merchandise. That is hard on Sears Roebuck and Montgomery Ward. They lost a lot of money on me.

A few years later when I got to New York and walked down Broadway and turned into the headquarters of a twenty-million-dollar corporation and got a good job which I had been writing

about, the manager took me to the third floor and said, "Mr. Spillman, this is your office and there by the window is your roll top desk."

"Verily, verily, I say unto you, whosoever shall say to a mountain, 'Be thou removed'; and shall not doubt it in his own heart, he shall have whatsoever he sayeth."

Then may you never lose courage, man with a mind,
Hope is a better companion than fear;
Providence very benignant and kind,
Gives with a smile what you take with a tear.
Face to the light, for all must be right;
Morning is ever the daughter of night;
That which is dark must be that which is bright.
Stand in the van and fight like a man—
That is the bravest and cleverest plan.
Trust well in your cause and do what you can.

HARRY BATES THAYER

SOME SIGNIFICANT STEPS IN THE DEVELOPMENT OF A NATIONAL SERVICE

Mr. H. B. Thayer was born in Northfield, Vermont, in 1858 and has been connected with the American Telephone and Telegraph Co. since 1881 and became president in 1919. The following address is an interesting narrative of the development of a great corporation and a great national service. It was delivered before the Vermont Historical Society on June 24, 1925, at Montpelier, Vermont.

THE first person to hear the human voice by telephone is still living. The first name to appear on the payroll of any organization giving telephone service is still on our payroll. A member of the first Board of Directors of the first telephone company still sits on our Board. It is still less than half a century since the invention of the telephone, so that what I have to say must be considered only a part of the first chapter of the history of telephone service.

The story of how Alexander Graham Bell, a teacher of deaf mutes, a student and teacher of the laws of speech, as had been his father and grandfather before him, studied and experimented in the belief that the human voice could be carried to a distance by the electric current over a wire, has been often told. The story has all of the thrills of a romance: Picture this young teacher with a great idea but with none of the financial resources necessary for experiment; then, after he had succeeded in communicating his enthusiasm in some measure to the fathers of two of his pupils, with financial help from them, working persistently, sometimes in a cellar, sometimes in a shop attic and sometimes in his boarding house—often

with discouragements and only occasionally obtaining results which renewed his hopes, but always with faith that the thing could be done.

In June, 1875—50 years ago—he first heard a sound which had been electrically carried over a wire. It was not the sound of the human voice but it was a sound. In the following March, his voice was carried over the wire from one room to another in his boarding house and was heard by his assistant, Thomas A. Watson. The theory was demonstrated: The invention, crude though the apparatus was, had been made.

His financial backers were Thomas Sanders and Gardiner G. Hubbard; and Mabel Hubbard, at first his pupil, had become the rival of the telephone in his heart and mind, and it was her encouragement which led him to go to the Centennial Exhibition in Philadelphia where the telephone was on exhibition (but had received scant attention), so that he was in attendance when Dom Pedro, Emperor of Brazil, who was being escorted through the exhibition, in company with some distinguished scientists, recognized in him the young teacher of deaf mutes whom he had previously met in his classroom in Boston and listened at the telephone receiver while Bell talked at the other end. "My God—it talks"—the Emperor exclaimed; then Joseph Henry, the venerable head of the Smithsonian Institution listened. He recognized in Bell the young inventor who had told him what he was trying to do over a year before. Henry had then encouraged him to go on with his work. "But I have not got the electrical knowledge that is necessary," Bell replied. "Get it," was Henry's answer. He was followed by Sir William Thomson, afterward known as Lord Kelvin, and at that time the foremost scientist in the world. "It does speak," Sir William said. "It is the most wonderful thing I have seen in America." Bell's fame and the fame of the telephone was made and heralded over the world.

In the following year Alexander Graham Bell and his pupil, Mabel Hubbard, who had helped him with inspiration and encouragement, were married and after forty-five years of happy married life, her death followed his by less than a half year. That is the romance of the invention of the telephone.

Laying the Foundations

The history of the development of nation-wide telephone service is the story, first, of a small group of men who foresaw possibilities and laid sound foundations for a great public service and who devised and constructed its plan of operations. These were achievements characterized by far more than ordinary foresight, sagacity and constructive ability and as such deserve and will receive our principal attention.

Professor Bell was a man of vision. As early as 1878, when the telephone had barely emerged from the laboratory, when speech by telephone was possible, but barely practicable, he wrote this:

"It is conceivable that cables of telephone wires could be laid underground or suspended overhead, communicating by branch wires with private dwellings, country houses, shops, manufactories, etc., etc.—uniting them through the main cable with a central office where the wire could be connected as desired, establishing direct communication between any two places in the city. Such a plan as this, though impracticable at the present moment, will, I firmly believe, be the outcome of the introduction of the telephone to the public. Not only so, but I believe in the future, wires will unite the head offices in different cities and a man in one part of the country may communicate by word of mouth with another in a distant part.

"Believing, as I do, that such a scheme will be the ultimate result of the telephone to the public, I will impress upon you all the advisability of keeping this end in view, that all present arrangements of the telephone may be eventually realized in this grand system."

The original patent on the telephone was owned in partnership by Thomas Sanders, Gardiner Hubbard and Professor Bell, Sanders and Hubbard being the financiers and business managers. They also were men of vision, thoroughly imbued with the plan of building up a national service. I have often wondered whether they would not have received greater material reward for their efforts if they had been content to manufacture and sell telephones and leave to someone else the future of telephone service, but judging from their correspond-

ence, that thought did not enter their minds. With great personal sacrifice they put money into the business but there is no suggestion in their correspondence that they thought of taking any out. Apparently their whole purpose was to build up a business to give telephone service. Probably they were not entirely altruistic but were disposed to build and wait.

A real discoverer or a real inventor usually starts up a flock of claimants and pretenders, ranging from those who have almost accomplished the result, to those who, on no real foundation of fact, fabricate a case for the purpose of robbing the rightful winner of his reward. Professor Bell's experience was no exception. The announcement of his invention was followed by claims involving the greatest patent litigation up to that time, lasting about 20 years; that is, through the whole 17 years life of the original patent, and 3 years after it had expired. Some of these claims were taken up by the Western Union Telegraph Company and for the first two or three years the infant industry found itself in competition with one of the most powerful corporations of that time. The effect of this during the first two or three years was largely in increased difficulty in inducing men to put their time and money into the promotion of an entirely new enterprise. Both Mr. Hubbard and Mr. Sanders had other interests and other work, and they put into the business more money than they could really spare. They formed a corporation, but had difficulty in distributing the stock. They needed a business organization, but did not have the money to support it, but they needed most someone of force and ability to take the business management of the enterprise.

Developing an Organization

Mr. Hubbard, as a member of a Congressional Commission on Postal Affairs, had met Mr. Theodore N. Vail, who was then Superintendent of the Railway Mail Service and had become impressed with his ability, and he and Mr. Sanders rather reluctantly came to the conclusion that they could pay him $3,000 a year salary, although Mr. Sanders impressed it upon

Mr. Vail that he did not personally guarantee its payment. The enterprise was having what we in Vermont call "pretty hard sledding."

At about this time (in 1878), William H. Forbes of Boston became financially interested in the enterprise. Colonel Forbes was of one of the old Boston merchant families—owning its own ships and trading with China and the Far East. Perhaps he inherited a spirit of adventure which moved him to embark in this enterprise. It needed such a spirit. The Company was poverty-stricken and the resources of the Western Union Telegraph Company were concentrated against it.

These two men, Forbes and Vail, brought to the struggling business what was needed to put it on a firm foundation—business sagacity, generalship and the confidence of financiers.

They settled the contentions with the Western Union Telegraph Company and soon the public began to realize the possibilities in what had previously had little more than the attraction of a novelty. Their Company, the National Bell Telephone Company, had issued capital to the amount of $850,000. Within the year, from November, 1878 to October, 1879, the market price of the shares went from about $50 to $800 per share. That was the period in which the tradition that there was an enormous profit in the telephone business took root.

In the spring of 1880 The American Bell Telephone Company was organized under a special Act of the Massachusetts Legislature and it is significant that one of the prominent features of the charter was the right to hold stock in other companies: Significant because, as I shall attempt to show, stock ownership in subsidiary companies was one of the essential parts of the plan in their minds for the development and operation of a nation-wide telephone service.

Mr. Forbes became President and Mr. Vail, General Manager, of the new corporation. At that time, there were less than 30,000 telephones in service in the United States, and they were in 138 cities and towns, unconnected with each other by telephone lines. In Mr. Forbes' first report, with reference to this period, he said:

"After two years passed in a struggle for existence and a third largely devoted to the settlement of disputes inherited from that contest, the owners of the telephone patents, at the beginning of their fourth year, for the first time find themselves free from all serious complications, with nothing to prevent the Company from directing its whole working force to the development of the business, and with a defined policy for its future operations."

Following a Fundamental Policy

There *was* a defined policy. During the following five years, the fabric of corporations and contracts defining their relations, departments and all that went toward making a working system to carry out that policy, was constructed. The policy was to carry out the dream of Professor Bell—to construct and operate a nation-wide telephone service, so that within the boundaries of this country, all that is possible in telephone service should be possible to all.

The system as then constructed is substantially as now operated; a parent or headquarters company, sectional operating companies, a manufacturing organization and an organization to furnish service connecting telephone users in different operating districts—the system which we call The Bell Telephone System. How much of this constructive planning was the work of Forbes and how much of Vail, I cannot tell. I doubt whether they could have told, because they worked in such coöperation that much of it was undoubtedly joint work. They planned as though they were standing on the threshold of the future and could see then what would be needed now and in our future, for this National Service, and what must be provided and what must be guarded against to insure it.

Their plan provided district operating companies in touch with the growth and the requirements of the communities they served, with stock ownership by the parent company in order to insure uniform policies and uniform standards of service. At first there were many of these operating organizations but as economy of operation has dictated, they have been consolidated

into fifteen operating organizations covering in their operations the whole country.

They recognized the importance of a uniform standard of excellence in the apparatus to be used in transmitting and receiving the voice current, and retained in the parent company the obligation to furnish to all of the operating companies the transmitter and the receiver. They realized that in addition to the transmitter and receiver an almost endless variety of other apparatus must be provided, and their costly experience in patent litigation warned them that the operating companies must be spared a similar experience. They foresaw that they must have a free field of development, unhampered by patents controlled outside of the system. Furthermore, they realized the desirability, on the grounds of economy and efficiency, of standardization of material.

They, therefore, organized in January, 1882, a manufacturing corporation, in which the parent company was a large stockholder, under obligation to provide whatever devices might be required by the operating companies at reasonable prices. This involved an obligation on the manufacturing corporation to acquire licenses under the patents of others, if necessary.

But, in order that this relationship should always be an advantage which the operating companies could use, and never a burden that they must carry, they left the operating companies free from any obligation to buy of their manufacturing company. This studious care to protect the operating companies in untrammeled devopment—to help and not to hinder—is characteristic of the whole plan.

It was planned and always has been the part of the parent company to perform for the whole system the functions of a general staff of the System. It has employed scientific investigators and maintained laboratories and experimental shops where the aim is to develop the most economical and efficient apparatus and construction and maintenance material, looking as far as possible into the future requirements of the public. All of the methods of work in the various departments of work are studied and standardized. It has coördinated the financing of the system and in general has done all of the things which

could be done more efficiently by one agency for all of the companies, than by each for itself.

Building a Nation-Wide System

By 1885, the operating companies had made such development, that it seemed possible to extend the range of conversations, and the American Telephone and Telegraph Company, entirely owned by the parent company, was organized to interconnect the telephone users in the districts of the operating companies. When that was done, the plan for a national service, developed before 1882 and provided for in inter-company contracts, came into complete operation.

Counting from the invention of the telephone, the end of five years saw the plan completed, which has been followed, practically without change, in establishing the nation-wide telephone service as it exists to-day. The vision and the wisdom of the founders of the business, as exhibited in the work of that period, makes it stand out as the most noteworthy in the history of the telephone. The history of the telephone has been the fruition of the plans made then. What they did was to create an organization which was tributary to no outside interest, which had within itself the elements of progress and which depended upon nothing but itself and the good-will of the American Public. That is what they did, and the evidence is strong that that is what they tried to do.

That they realized their dependence upon the public's good-will is evidenced by a letter from the General Manager, Mr. Vail, to at least one of the operating companies written in 1883. Note the significance of the questions he asks:

"Is the telephone service, as it is now being furnished, satisfactory to the public?"

"Are the prices satisfactory to the public, considering the facilities and service that is given?"

"Is it possible, in view of the contingencies of storm, underground legislation, etc., to make any lower rate to the public for same classes of service?"

"What has been the tendency of the relationship between the

public and the local companies for the past year, i. e., are the relations between the public and the companies improving?"

Such solicitude as to quality of service, prices and public relations, unfortunately, was not as general among public utility corporations at that time as it is coming to be now. So the founders of the service left to their successors not only a complete operating organization which has survived, but they left in the organization the right spirit of public service. Leaving this constructive period, I shall lay stress only upon such events as had an important influence upon the final result.

A Period of Healthy Expansion

It must be remembered that in the early eighties, not only was the art of telephony new, but that was true of all of the applications of electricity to the service of mankind, except the telegraph, and those years were marked by development of apparatus and materials, methods and men, and by a healthy expansion of the business, hampered somewhat by the constant patent litigation.

In the Annual Report for 1892, the President says:

"It is now possible from this room (in Boston), or from any properly appointed station on this system, to talk north and east to Augusta, north to Concord, N. H., to Buffalo, New York, west to Chicago and south to Washington, and, of course, to the principal cities intermediate."

"It may be interesting to note that within that territory live and do business, something more than one-half of the whole population of the United States."

"That this constitutes an addition to the social and business facilities of the country of far reaching consequence, needs, of course, not to be added."

At that time, after about fifteen years growth, there were about 230,000 telephone stations in the United States (about as many as the present growth of three or four months).

In 1893 the original Bell patent expired although the litigation over it still continued. The Company owned or controlled many other patents covering important improvements

in the telephone or subsidiary apparatus, but never again made any serious attempt to enforce patent protection. Patent protection had served its purpose by furnishing the measure of control or influence necessary to direct the introduction of the telephone in accordance with the purpose of a national service by a closely knit organization. It should be borne in mind that the purpose of the major part of this litigation was not to determine whether or not there should be a patent monopoly of the telephone, but whether it should rest with the Bell Group, or go to some other group.

As the necessity of protecting its patent situation became less important, it was able to, and did liberalize some of its methods. It began to permit connection between its licensed companies and other companies without raising the question as to whether or not they infringed its patents. That was the beginning of the connecting company as distinguished from the so-called competing company.

The Company was prosperous and the business profitable, but not extravagantly so. There was a popular opinion that it was something like a gold mine. I remember at times meeting men who claimed to have had the opportunity in the beginning to buy the Bell patent for trivial sums, and who were fond of calculating the millions they lost by not taking advantage of the opportunity. It was frequently stated that the patent was the most valuable one ever issued.

An Experiment in Competition

The fact is, so far as I have been able to find, that no one ever had an opportunity to buy the Bell patent from the original owners, and while I think it was the most valuable one ever issued, the value was principally to the public. The profits in excess of moderate dividends were left in the business. No large fortunes were made out of it even by the pioneers. But this popular opinion that it was a very profitable business led people all over the country to establish so-called competing companies after the expiration of the original patent. Before long there was hardly a community in the country which was

not served by two companies, each having a separate list of patrons and a few in common.

Perhaps this competitive movement was fostered to some extent by the general public feeling of revolt against large corporations which was at its height during this period. There was the feeling that with size went power and that there could not be power without abuse of power. This feeling manifested itself in onerous restrictions which were placed upon this Company by the Legislature with reference to increases in its capital, so that at the same time it stimulated public favor in the small corporation and hampered the operations of the large corporation.

In 1900 it became necessary to change the legal domicile of the parent company, which could be more properly called the headquarters company, and it was accomplished by transfer of the property to its subsidiary, the American Telephone and Telegraph Company, a New York Corporation, and the exchange of the shares of that company for its own shares. As a part of this legal reorganization, a part of the surplus which had accumulated in the preceding 25 years through undivided profits and the receipt of premiums on stock issues was capitalized, with a proportional adjustment in the dividend rate. The ownership and operation of the Long Distance Lines, which had been in a separate corporation, thereby came into the parent company organization. Otherwise, it was virtually a change in name and in legal residence of the corporation with no change in management or policies or methods. The release of restrictions on the issue of new capital, however, made possible extensions which otherwise would have been impossible and at this time began the great growth in telephone service.

The telephone companies not licensed by, or operating as a part of the Bell organization, were called competing or independent companies, and between 1900 and 1905 they reached the summit of their strength. There are not accurate figures as to the number of stations they operated, but I have the impression that it did not at its height differ widely from the number operated by the Bell organization. They did not have a central organization and a centralized financial strength. They did not have a complete scheme of inter-connection between

communities and in many cases they were not soundly financed.

The principle of two agencies rendering telephone service in the same community or communities is economically unsound and could not survive. It has, however, taken a long time for the public to fully realize that this so-called competition is not real competition; that the public does not have the choice between two complete services but it either pays to one company for a partial service or to both companies in order to get a complete service in the community served. It is now rapidly disappearing. In some cases the Bell plant has been sold to the independents and in some cases the independent plant has been sold to the Bell Companies and in all of those cases the surviving company's plant has been connected with the Bell National System and so the ideal of a nation-wide service has been maintained.

The Telephone's Part in the War

By the time of the entry of this country into the Great War, the Bell Telephone System had become really the National Telephone System. Its wires reached from coast to coast and from Canada to the Gulf. It had the only laboratories equipped to design telephone apparatus for military purposes—the only manufacturing plants capable of producing it in adequate quantities, and the only large body of employees trained to do certain necessary kinds of service, and all of these facilities were promptly made available to Government use. Camps and cantonments and all of the various activities of the Army and Navy were promptly equipped and connected. Units were organized for service abroad in the various departments of telephone work. Special apparatus was designed and supplied. Both the intentions and performance of the Bell organizations received the hearty approval of the military authorities.

It came, therefore, as a surprise and somewhat of a shock when, under authority of Congress, the Federal Authority took over the operation of the telephone service. It did not appear to be justified and did not appear to result in any advantage.

It necessarily meant Government approval of rate changes

and wage changes during a period when prompt action was vital to maintenance of good service. Governments do not act promptly and to that extent the service suffered. After the armistice the operation of the properties was returned to their owners. The unanimity of action possible in the Bell organization made all of the details of the transaction comparatively simple, and within six months of the return of the property to the companies, the whole transaction was closed.

The restrictions on the use of capital and material during the war, loss of morale and of skilled people due to slow wage adjustments during the period of Federal Control, all had their effects on the service to the public after the war, and from those effects the service has only recently completely recovered.

A history of the commercial development of the telephone in this country becomes in the main a history of the Bell Telephone System. It is very rare that those engaged in the management of an enterprise can look back after a lapse of a half century and find that its progress during that period has been in accordance with a preconceived program, and that no fundamental mistakes were made in the conception of its future, or in the preparation for its future. We can even go beyond that and say that we cannot see any other way in which a nation-wide service can be efficiently and economically operated.

The Realization of Early Foresight

Foresight has been characteristic of the management and in other ways than I have attempted to describe. The story of the work of the scientists and inventors employed in the Bell System preparing for the growth of telephone service and its extension into new fields makes a wonderful record. I have already called your attention to the early appreciation of the fact that approval by the public of the policies and practices was essential to the continued success of the enterprise. The American Telephone and Telegraph Company was at least among the first of the great corporations to give full publicity to its aims and its operations.

The financial management has been sound and conservative.

The stockholders, through premiums and conversion of bonds, have paid into the treasury over $40,000,000 more than the capital of the Company. Reasonable dividends have been paid. If figured not upon the issued capital but upon what the stockholders have paid into the Company, plus their earnings undistributed, the rate in 1924 was 7.3%. It has not exceeded 7.5% in the past 30 years and has exceeded it only for two years in the past 40 years. It has not been at the rate of less than 6% in 20 years and only for two years in the past 40 years. The aim has been that the stock should be an investment and not a speculation.

Fair and considerate treatment of those giving their services to the enterprise has been a cardinal principle. In 1913 there was inaugurated throughout the Bell Telephone System what is called The Benefit Fund, providing payments to employees during sickness and in old age. In 1915 plans were put in operation encouraging employees to invest in stock and securities of the Bell System and other plans for the encouragement of thrift are in operation. A separate department—well organized and equipped—is devoted to the study and inauguration of plans for improvement of working conditions, and in working conditions is including something more than physical conditions. The effort is made to give all of those employed in giving telephone service that knowledge of the aims and purposes of the organization, and of the results of operation which will give them an interest in their work, and a share in the joys of accomplishment. I have only touched upon the later and incidental developments because I want to leave in your minds the picture of the work of the founders of the service in developing a plan which, after a half century's use, must be admitted to be the best plan for conducting a nation-wide service.

Now let us see what in less than a half century has come to this country out of the dreams of Bell and Sanders and Hubbard and the plans of Vail and Forbes.

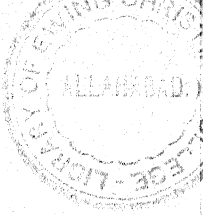
The Bell Telephone System with its investment of between two and a half and three billions of dollars, contributed directly by 360,000 stockholders, and unknown thousands of holders of other securities, and indirectly through savings banks and insurance companies, and other similar institutions, by per-

haps millions more, giving employment directly to about 300,000 people, and indirectly to thousands more.

With sixteen millions of stations in the cities, towns and villages and on the farms all over the country connected together in one great network of intercommunication, and used to the extent of over 60 million conversations a day, some of them between points thousands of miles apart. And the end is not yet.

Aside from the probability that there are more Vermonters financially interested in this than in any other single business enterprise and more Vermont communities using this than any other public utility, there is another reason why the development of the Bell Telephone System should have a particular and personal interest to Vermonters.

It is a monument to the foresight and constructive genius of Theodore N. Vail, and Mr. Vail was a Vermonter. A Vermonter by adoption, it is true, but as he often said, the glory of being a Vermonter was greater to him who gained it by deliberate choice than to him to whom it came as an accident of birth. He maintained a residence here during the greater part of his business life. It was the home to which he turned for rest and mental refreshment. He was a truly great man—one of the giants of his generation—and he loved Vermont.



SIR HENRY WORTH THORNTON

OVER-REACHING

Sir Henry Worth Thornton, chairman and president of the Canadian National Railways since 1920, was born in Logansport, Indiana, November 6, 1871. He was actively engaged in railway engineering and management in this country until 1911 when he became a naturalized British subject. In 1914 he was appointed general manager of the Great Eastern Railway, England, and during the war served in various important posts in connection with the railways in France, in 1918 being appointed Inspector General of Transportation with the rank of Major General. He was knighted, Commander, Order of the British Empire, 1919. The following address was delivered before the Illinois Manufacturers' Association, December 17, 1926.

OVER-REACHING is one of the maladies which seem to be inherent in mankind. It is a symptom of malignant opulence, and is universally provoked by success. It seldom finds its source in poverty or failure, and thrives in an atmosphere of wealth and power. Success has been responsible for more disasters than has adversity. The latter is a hard but effective teacher: the former an impostor who has lured many to disaster. The presence of failure generally excites caution. Prosperity blinds the eye to danger, blunts the senses, and often excites an auto-intoxication which ends in catastrophe. Over-reaching carries in its train intolerance, prejudice, and injustice, and banishes a recognition of the legitimate rights of others. The pages of history abound in examples of conquerors, rulers and nations who have fallen prey to over-reaching.

Over-reaching finds another manifestation in extremes. It is difficult, in the freshening winds of prosperity, to hold the ship upon an even keel and straight upon a sane course. The pendulum swings either to the one or the other extreme, and is seldom held to caution and wisdom. Extremes are found in

every manifestation of human life. Even the raiment of women is approaching the extreme stage, or at least reveals extremities! Indeed it may no longer be said that he who hides behind a woman's skirt is a coward:—he is a magician!

Over-reaching was responsible for the first disaster which was visited upon our scriptural ancestors when Eve yielded to the blandishments of the Serpent and reached for the original Cox's Orange Pippin! Holy Writ tells us that all of the evils to which man is heir may be traced to that initial feminine indiscretion. "An apple a day," it is said, "keeps the doctor away," but mankind might have been better for more visitations of the doctor and less stolen fruit.

The great highway along which nations and empires have traveled is strewn with the skeletons of those who have over-reached. Pharaoh lost a valuable addition to the Egyptian population by over-reaching and oppressing Moses and his flock. Alexander the Great over-reached considerably, but an untimely death rescued him from a fate which would otherwise have been his. Julius Caesar was similarly and somewhat luckily saved. Over-reaching destroyed Antony, and shattered the hopes of Cleopatra. Imperial Rome and all of the great empires of antiquity committed suicide while of unsound mind by grasping more than could be assimilated. In modern times the two outstanding examples of over-reaching are found in Napoleon and the Central Empires. Had either been content with what was reasonable and consistent with safe acquisition, the history of the world would have been different, much blood and treasure would have been saved, and civilization materially advanced. Wherever we turn, whether it be to the history of nations, autocrats, conquerors, statesmen, or great captains of industry, over-reaching is a malignant and persistent cause of failure. The oppression which an English king displayed, and which was but a form of over-reaching, was responsible for the independence and the creation of the United States of America, and in the history of your nation is found the greatest romance of development in all of its forms which has been revealed since the dawn of history.

Great wealth and great power carry with them increasingly grave responsibilities. They also expose the recipient to

the dangers of pride, vainglory, arrogance and ruthlessness.

Let us examine a little that which you all may know—the growth and development of the United States and its marvelous accessions in wealth and importance, together with its progress from a small beginning one hundred and fifty years ago to the present time during which period the people of this nation have achieved a position of opulence and influence that surpasses that of any other country. Let us paint this picture in some detail that we may have a little clearer perspective.

When the thirteen original colonies formed the confederation which is now known as the United States of America, there was no development west of the Allegheny Mountains, and what little there existed was found chiefly in the states bordering on the Atlantic Ocean. But, however small that beginning may have been, it was great and magnificent in the foundation which was laid by the early fathers of confederation who, in the Declaration of Independence and in the Constitution of the United States, laid down principles which through greatly changing circumstances have successfully weathered storms and trials, have reasonably met every emergency, and stand to-day secure and firm as a basis upon which the edifice of the United States as we find it to-day was builded. It is doubtful if any group of statesmen in the history of the world ever developed with such extraordinary sagacity a theory of government which has so successfully withstood all tempests and so readily adapted itself to changing conditions without destruction or even material alteration. However high those statesmen and patriots may have written their names in history, I doubt if we of to-day fully realize how splendidly their task was performed, or how soundly they built; and I think it may be said, without fear of contradiction, that the development of the United States may be attributed very largely to the finest example of statecraft which the world has seen. Painfully, laboriously, but steadily, this republic pursued its way until it found its very foundations rocked by the disaster of a civil war which might well have wrecked an older and more secure state. But again the foundation stood firm, and after the close of that war, however much the edifice may have been shaken, the real progress and development of the nation commenced.

In 1860 the population of the United States, in round figures, was thirty-one millions: in 1925 it was one hundred and thirteen and a half millions.

In 1860, the gold coin and bullion in the vaults of the treasury, banks and agents, was represented by two hundred and fourteen million dollars: in 1925 it was four billion, three hundred and eighty-six millions.

In 1860 savings bank deposits amounted to one hundred and forty-nine millions, two hundred and seventy-eight thousand dollars, but in 1925 this had grown to nine billions, sixty-five millions.

Exports and imports together in 1890 amounted to one billion, six hundred and forty-seven million dollars. In thirty-five years this figure had increased to nine billion, one hundred and thirty-five millions.

The yearly average production of pig iron (the basis of the iron and steel business) from 1871 to 1875 was about two million, two hundred and forty-eight thousand tons per annum. In 1925 it reached the enormous figure of thirty-six million, seven hundred thousand tons.

The wealth per capita in 1860 was five hundred and fourteen dollars: in 1922 it had risen to nearly three thousand dollars.

And so one might multiply figure after figure in every branch of industrial, banking and commercial activity with the same result:—marvelous and romantic progress, the like of which the world has never seen. Truly a source of great pride and much gratification to those who live in this land blessed by Providence and, like Canaan of old, overflowing with milk and honey.

But all of this stupendous development has had within it many examples of over-reaching, and perhaps its absence would have been too much to expect. More than one great amalgamation of capital in the industrial field felt the lash of government regulation and the necessary curbs which public safety demanded. Many employers of labor forced the formation of trade unions by oppressive policies. Many financial failures were provoked by over-reaching, excited by opulence and power. Fortunately a fine foundation, the good sense of the people,

and the enormous resources of the country carried the nation safely through all storms.

How many railways struggled to relieve themselves of rebates! How many small competitors fell prey to amalgamations with at least predatory habits! Happily times have changed: the game may be the same but the rules are different. I well remember a small and perhaps trifling example of the methods of bygone days when as an inexperienced divisional superintendent I was once summoned to the presence of the executive of a considerable industrial combination and flatly told that unless my company produced for him forthwith an annual pass not a pound of his freight would we get. Inexperience is often a source of courage, and I promptly told him, in words as polite as I could muster, where he could go. A most unwise and I dare say indiscreet thing to have done, but I merely gave way to the lure of battle to which youth often falls a prey. We did lose the business, but only for a short time, as service and necessity brought most of it back. Such episodes are fortunately not common in these times, but it illustrates the change.

There are many great industrial and banking institutions in this country which, by justice and tolerance, are contributing abundantly towards the progress and the upbuilding of the nation. To single out one is perhaps unfair, but, at the risk of being invidious, those who are engaged in industrial activities in this country may well be proud of the fine and sound policies which have characterized the corporation whose name is synonymous with one of your greatest industries—that of steel production. Many were those who regarded the financial structure of that organization with suspicion, and few were they who ever believed that its common stock would occupy the position in the financial mart that it does to-day. But tolerance and fairmindedness to competitors, just and fair dealing with all, together with a fine technical administration have made the history of that corporation one of the great achievements of modern industrial times. This was a splendid example of the sagacity which acts as a deterrent to over-reaching.

In the development of the United States, there has been no

greater contribution than that rendered by the railway industry.

Transportation is the first essential link in the chain of commerce and the marketing of commodities. The movement of persons and goods within the frontiers of a state and from nation to nation marks the progress of civilization, and those states which have developed an adequate system of transport have correspondingly increased in wealth and power. Restriction of intercourse in primitive days and a refusal to maintain communication with the outer world were the fundamental characteristics of the savage. Truly the philosopher has written, "Let us travel over the countries of the earth. Wherever there is no facility for passing from town to city or from village to hamlet, there we may pronounce the people to be barbarians." Of necessity a means of transport had to precede the successive stages in the development of this nation. Well was it done—courageous in conception, wise in administration, and to-day the railways of the North American Continent (for I venture to include with those of the United States the transportation system of Canada) stand equal, if not superior, to the transportation systems in any other part of the world.

But these arteries of commerce, which are so essential for the existence of the manufacturer, are confronted with grave and anxious problems. No doubt in their development they have made mistakes—and what industry has not?—but when it is all said and done, and irrespective of periods of shortcomings, the railways of the United States have carried successfully that burden of a stupendously increasing traffic which resulted from the unparalleled development of the country, and in this respect they are entitled to the sympathetic consideration of those they serve.

The tendency of wages is constantly upward: the movement of rates is continuously downward. This is necessarily unavoidable and to be expected because the constantly improving standard of living demands an increasing return to the worker, and the law of increasing returns permits, within reason, a reduction in transportation tolls. But neither must proceed faster than the maintenance of a sound economic balance permits. Generally speaking, your railways are in a prosperous condi-

tion, and a measure of this prosperity must be charged to the fidelity, enterprise, and efficiency of railway administrators. Certain things have come about which, while wise in themselves, have rendered more difficult the maintenance of railway solvency. Federal and state regulation, while essential for public protection, must not reach the point of adding unnecessary and burdensome expense to the railways. The construction of the Panama Canal, in itself a fine achievement and one which has contributed much to the economic improvement of the country, has brought in its train problems for the railways. It has changed the movement of traffic, it has placed limits on the earning power certainly of the western railways, and has generally produced an effect which merits a sympathetic consideration of the railway position.

One of the principles of the Constitution of the United States, and perhaps economically the most important, is prohibition of confiscation without due compensation. Confiscation often appears in disguise. It frequently appears in other forms than "porch climbing and second story work." If this principle of the Constitution means anything it should certainly deter the Government from such legislative enactments and economic changes as destroy or seriously affect the earning power of any enterprise created legitimately and in conformity with previously existing statutes. The opening of the Panama Canal has materially affected the earning power of international railway systems. Its construction was wise and in the interests of public welfare, but at least a moral responsibility rests upon the nation to see to it that that useful implement of commerce was not constructed in violation of the fundamentals of the Constitution and those high moral principles which should inspire every nation in all its dealings. In all of its various forms and disguises, confiscation is a luring form of sport, especially to those who benefit therefrom, but he who benefits to-day may suffer to-morrow. The acts of a nation should furnish a sound example, and a high standard of morals and tolerance on the part of the citizens cannot be expected unless the Government itself pursues equally high principles.

I have, I hope, at least led you to believe that the interests of those who produce and the interests of those who transport

are identical. It may be said that there are three cardinal principles essential to the existence of any railway as a private enterprise:—

First—It must maintain solvency and meet its financial obligations;

Second—It must furnish adequate transportation to the public at such rates as will permit the development of the community;

Third—It must pay to its employees that wage which, under reasonable working conditions, will permit them to live in decency, comfort, and under sanitary conditions, and to educate and bring up their children as self-respecting members of society.

A material departure from any of these three principles of privately-owned railway systems will probably excite a demand for state ownership, and a departure from all three will, in time, inevitably produce that result. So far as the performance of its public responsibilities and the life of the community are concerned, solvency is perhaps the least important of the three, but in so far as the hastening of state ownership is concerned, it is probably the most important.

I am not here to argue for or against the nationalization of transport systems. We have, in Canada, two major railway companies, one of which is state-owned and the other privately-owned. Both are getting on quite comfortably and happily in friendly relationship. Both are reasonably meeting their responsibilities to the public. The creation of a state-owned railway in Canada was due to circumstances rather than to the acceptance of a theory. Its success or failure will furnish no compass to guide the American people. It is for you to decide, from such experience as you may have had and such conditions as may confront you in the future, whether or not you wish to nationalize your railway systems. I have but this to say: that if the earning power of your railways, given an efficient and honest administration, is so depleted as to create insolvency, public ownership is inevitable, and therein is found a principle which should determine the policy of the public with respect to both rates and wages.

Such an address as this is of but small value unless it carries

with it at least the suggestion of some useful principle and some guiding policy. I have endeavored to acquaint you with some of the dangers which threaten nations, groups and individuals achieving opulence and power, and I have pointed out that the more complete these achievements become, the greater the responsibilities, lest destruction ensue. In these days when great political and social forces are working rapid changes in our habit of life and our viewpoint, nothing is so essential on the part of the individual, the community, and the nation as that poise which springs from knowledge—the knowledge of mankind, the knowledge of limitations, the recognition of humility. The more one studies, the less one finds the store of individual knowledge to be. The more tolerant one becomes the more clearly one recognizes the rights of others and the less does one fall a prey to over-reaching. As is the citizen, so is the state. The principles which determine the daily conduct of individuals and their enterprises are also the principles which will determine the policies of the state.

The people of the United States hold in their hands, to a large degree, the welfare of many other nations and the safety of civilization. Your statesmen, your bankers, your industrial executives, and the people at large are the responsible custodians of the policies of the nation. Your greatest menace is your wealth. Only by tolerance in your national and international relations, only by that poise which comes from education and a knowledge of mankind, and only by that humility which finds its source in wisdom, will you be faithful to your responsibilities and restore the march of civilization which but lately has been retarded by that greatest of all disasters, the Great War.

FRANK ARTHUR VANDERLIP

THE ALLIED DEBT TO THE UNITED STATES

AN EFFECTIVE PLAN FOR ITS PAYMENT

Frank Arthur Vanderlip was born in Aurora, Ill., in 1864. After studying at the University of Illinois and the University of Chicago, he became a newspaper reporter and editor and later private secretary to Lyman J. Gage, Secretary of the Treasury. After serving 1897–1901, as Asst. Secretary of the Treasury, he became vice-president, later president of the National City Bank of N. Y. and a director and trustee of many financial and industrial corporations. For many years Mr. Vanderlip has been greatly interested in the commercial relations between this country and the rest of the world. His volume, "The American Commercial Invasion of Europe," was published seven years before the War, and after a visit to Japan in 1920 he wrote various articles on Japanese and American relations. Few men are more thoroughly informed than he on national aspects of finance and commerce. This address was delivered before the Economic Club of New York, in October, 1921.

THE Great War increased the internal debts of the European belligerents from $17,000,000,000 to $155,000,000,000, a ninefold increase. The external debts of these countries, which before the War were insignificant, are now in excess of $25,000,000,000.

[After discussing the difficulties in the way of paying or canceling or readjusting the debts to us, Mr. Vanderlip then proposed his novel and interesting solution.]

The paradox then persists. I would have the Allies acknowledge the justice of the debt, and would insist upon its payment; and at the same time I would recognize that its payment in goods would bring about such confusion in our domestic affairs



FRANK A. VANDERLIP

that we will be more harmed by its receipt than we will be to forego it.

What then shall be done? Is there some way in which the integrity of national promises may be kept, some way in which our faith in national obligations may be left unshaken, some plan under which our future international relationships may not be darkened by repudiation? Can we, while accomplishing those objects, at the same time avoid the consequences on the one hand of ruining our debtors, and the danger on the other hand of ruining ourselves?

All that is possible. America can, if she will, shrewdly choose the road out of this difficulty. Such a road would, I believe, lead to greater material gain for civilization in general, while for America it will lead to a great moral and vast material gain.

For America it will mean the most substantial material advantage that has ever flowed from any single political act. More important than the material gain—however immeasurably great that would be—there would be spiritual gain which would give us a moral leadership so far-reaching that the responsibility of it should make us humble rather than vainglorious.

I repeat that I would demand the full acknowledgment of this debt. It is a just debt, and ought, if possible, to be paid.

Next, I would want America to be both an intelligent and lenient creditor. Terms of payment ought to be adapted to the means of our debtors. In that respect we should take the action of the Allies in fixing the terms of the indemnity as an example to be avoided rather than followed.

The crux of my plan would lie in the disposition of the payments.

I would have America make a *beau geste,* a grand gesture, in international relationships. While demanding that the payment be made, I would have America say that she is prepared for the present to forego the receipt of it. That is how the consequences of the paradox may be avoided.

What, then, shall we do with it? I would like to see every dollar that can ever be paid to us by our debtors for years to come devoted to the rehabilitation of European civilization. It is only through the rehabilitation of European civilization that

these debts can ever conceivably be paid. It is only through the rehabilitation of European civilization that America can ever conceivably realize in full measure her destiny, or can expect a full measure of prosperity for her people.

What do I mean by this generalization about the rehabilitation of European civilization? Why do I believe that America has the special wisdom which will warrant her undertaking such a work, whatever it is? Why, if Europe is indirectly to pay the bill herself, should she not be left alone to handle in her own wisdom the problem of reconstructing European civilization?

Let us examine these questions. By undertaking to rehabilitate European civilization I mean, in the first instance, that I would bring a spirit into the affairs of distressed Europe which would promise a revival of hope, a renewal of courage, a stimulation of industry.

There is to-day a pall of cynicism, of national hatred, and of disbelief in the sincerity of friend and foe alike, which makes the start towards rehabilitation almost impossible.

Towards the close of the War, President Wilson put into words of high spiritual meaning the very essence of the best of American aspirations of peace. His words influenced all Europe with a passionate hopefulness that there had come into the world of international relationships a new note of fairness and good will. Such a wave of idealism swept through the common people of Europe as had never before been witnessed in all history.

Those ideals were hopelessly crushed at Paris. Not one of them remained when the treaties were written, and Europe fell back into something far worse than its old-time cynicism. The voice of America, uttering beautiful doctrines of brotherhood, through its Chief Magistrate, sounded to Europe like a sacred gospel; and then America, along with her associates, abandoned that gospel. Hope turned into despair, belief into cynicism, and faith was burned up in new fires of racial hatreds. It is a commonplace to say that the greatest opportunity to benefit humanity that ever came to any man lay at one moment in the hands of Woodrow Wilson. The opportunity passed. Hopes were not realized.

To-day that same opportunity lies at the feet of America as a nation. Its fate no longer rests in the hands of one individual; it is the responsibility of a whole people. Having in our hands the opportunity to do an incalculable service to mankind, it remains to be seen whether, as a nation, we will rise to that opportunity, whether we will perform the service that is before us, or whether as a nation we too shall fail.

Let us now soberly examine what it is that we might do.

Large sections of Europe are backward, judged by our standards. Backward though they may be, they are bursting with latent possibilities for development. A study of eastern Europe has aroused in my mind a vivid program. I believe a plan for the development of eastern Europe could be laid out which might well be compared to the vision our forefathers had when the latent possibilities of our great West were unfolded to their minds.

I do not mean that eastern Europe is a wilderness. In opportunity for development it is vastly richer than any wilderness. There is everything at hand there except education, economic organization, the application of enlightened methods to production, and the harmonizing of blind racial antagonisms.

Everything the War has cost, everything an unwise peace is costing, can be recompensed, and beyond that a great economic margin created, if eastern Europe can be put in order, can be helped and led wisely to handle its own problems, if the peoples of eastern Europe can be made to comprehend their economic unity, if they can be brought to understand that in the welfare of all nations lies the highest prosperity of each.

You may ask how can I soberly imagine that America can largely contribute towards that end, suppose she had in hand, and was ready to devote to such a purpose, the interest and principal of the allied debts? Great as that sum would be, it would, after all, be small compared to what Europe is already spending for government. How, then, is it likely that we could make much of an impression upon European civilization, even with such a sum wisely spent?

Curiously, as governments are organized in this world and time, they find it impossible to make expenditures for those very objects which would be of the greatest possible value in

improving civilization. Moved as we are, governed as we are, it is possible for nations to raise by taxation huge sums, provided those sums are devoted to certain purposes. Without much grumbling a nation will tax itself to build at frequent intervals a $40,000,000 battleship. It will tax itself to support a great army, to maintain a too numerous civil service. As a matter of course, European nations tax themselves vast sums to pay for the cost of past wars, and to provide against the possibilities of future wars.

While a nation will, with prodigal hands, spend money on those things which have furnished the chief items of national budgets for a thousand years, it will at the same time refrain from doing an endless number of things which, if done, would profoundly affect for the better the nation's future, and profoundly influence for the better the course of civilization.

Most of such admirable projects are now left to be worked out in a puny way by an occasional philanthropist, or, the more often, left altogether undone. Any one with wide experience and awakened imagination knows that it would be possible to make expenditures of a character now rarely, if ever, sanctioned by the taxpayers, the return upon which, in terms of the welfare of mankind, would be incalculably greater than is the return from most of the objects upon which government incomes are lavished.

It is to such a program that I would devote for many years every dollar we can get of this debt.

I believe if the money was thus wisely expended, one of the results would be such marked economic improvement in Europe that in time every dollar of these debts could be paid. Although our claim would for a time have been expended without coming directly to us, the indirect result of the expenditure would many times over materially compensate us for the direct loss. It is now a claim we are never likely to realize or at least to realize in but small measure. If we would relinquish our claim to its receipt, if we would spend with purposes of high nobility what was paid us, we would indirectly get it all, and much more than all. Ultimately we would get it in fact.

If such a program as is here indicated were undertaken I

would hope that little, if any, of the funds would be expended in strictly welfare work. The last thing we ought to do is to pauperize any one. There is still perhaps some welfare work that will have to be done, but in the main the expenditure should be made with great vision of the future, rather than as a palliative to ease the distress of the moment.

There is a situation at present in Europe in which the old machinery of commerce, by means of which goods were interchanged, and the life of Europe's vast population made possible, is now so out of gear that a resumption of old commercial relationships promises at the very best to be but slowly brought about. Those old relationships must promptly be resumed, or much of what we call the civilization of Europe will perish. One of my first concerns would be to help to do that; but helping to put in order the old machinery of commerce would not be enough, nor would that accomplishment be really the ultimate aim.

A considerable part of what we received might well be used as a revolving fund of credit. It could be loaned to nations to help them accomplish specific purposes, purposes which we had carefully analyzed and believed to be economically sound and for the general good, purposes which would accomplish substantial and permanent economic and social results. The funds so loaned could in time be repaid; if the purposes for which they had been used were economically sound they could be repaid, without difficulty, and could then be similarly reloaned over and over again, and ultimately paid back to us.

Europe needs better transportation. We could help provide it. Europe needs a great development of its ample hydro-electric power in order that it may have cheaper motive power, and may economize its far too small fuel supply. We could aid in initiating such projects. There are cities in eastern Europe that need better systems of sanitation. Such provision would be of great economic importance. We could give impetus to it.

If time permitted, I would lay before you a much fuller exposition of the possibilities of economic development. I would emphasize what might be done for Italy and Austria in developing great hydro-electric possibilities. If we took only six

months' interest, $250,000,000, and put it into hydro-electric development, taking in exchange a mortgage on that development, we should have provided in those two countries for a saving in coal imports which would materially help them balance their foreign trade, and we would obtain for ourselves a sound security which would ultimately be repaid.

Mark that there is no relation under this between the source of the receipt and the place of the expenditure. The debts are just debts, and should be paid. At that point our relations with the debtors cease. The expenditure of the money we receive would be made where and how we willed. Its expenditure would be our affair, not the affair of the debtors.

Some part of what we received, however, would probably be spent without possibility of direct return. If such expenditures were wisely made, the indirect return would be enormous. There could be written a financial prospectus of what might be accomplished by the wise spending of $5,000,000 a year which would be the most fascinating financial document that was ever prepared.

Admitting for the moment the possibility of devising a sound and wise plan for such expenditures in Europe, expenditures so well calculated that they would bring quickly the blossoms of promise, and later the fruit of fulfillment, to European civilization, you may still ask why do I think that America has the wisdom, the experience, the temperament, the freedom from unwise political interference which would warrant the hope that we could, even with the best motives in the world, successfully conduct such a great experiment.

A most impressive reason for believing this to be within the range of possibility can be pointed out. It is the work Americans have done, and are doing in Europe. I have seen something of that work this year. I have studied with care in many countries the administrative ability which our countrymen are showing, and I have rarely seen anything that made me prouder of being an American.

I know something of the work which the American Relief Administration, operated under Mr. Hoover's direction, accomplished. I have met many of the men who are doing that work. It is a small staff, but it is made up of as capable a

group of vigorous, efficient and high-minded men as were ever brought together for a common purpose.

While the work which has been done by a number of American organizations, such as the Red Cross, the Y. M. C. A., the Quakers and the Near East Relief is a quite different work from that which I would hope to see undertaken under this program, the character of management of these organizations, the ability which they have displayed in working with foreign people and training them to a large degree of self-helpfulness leads me to have great confidence in the American genius for work in foreign fields. I would not, by any means, have the work which these organizations have been doing duplicated under this program, but I would feel confident that the type of work which I have in mind could be accomplished with as signal success as has been the other type of work which Americans have been doing in Europe.

I have had the opportunity to observe also in the Near East a work which has extended over a far longer period than the American Relief Administration. It is a work less picturesque than that done by some of the American organizations working in Europe, but it has had the advantage of time to prove its soundness. I refer to the results accomplished by such institutions as Robert College and the Woman's College at Constantinople, as well as to the general educational activities of various American religious groups—activities, I may add, that have risen far above a desire for religious proselyting, activities in which men and women have whole-heartedly given themselves to service, and have had for their aim the sound building up of human character, and have been very little hampered by efforts to propagate doctrinal beliefs.

No one can travel through the Near East and meet the men who are to-day responsible for the administration of affairs without in the first place being impressed by the number of such men who are graduates of Robert College; and then further being enormously impressed with the profound influence which the training in such a college of a comparatively few men has accomplished in the political and social life of the Near East. It is no overdrawn statement to say that the most potent single influence for good in near Eastern affairs can be directly

traced to the invigorating spirit of sound manhood which has emanated from Robert College. I saw evidences of this in every country in the Balkans.

It may be answered that such influence has not yet brought about a millennium, and that is true; but it has certainly saved millions of people from immeasurably more unhappy conditions than those which they have actually encountered.

If I single out Robert College it is only because I saw more first-hand evidence of its influence. In its way Constantinople College has performed the same sort of service, and I have no doubt that other American institutions of learning—and there are some thirty now—have had considerable careers of usefulness.

All the way from the Baltic to the Black Sea, in Poland, Czecho-Slovakia, Hungary, Jugo-Slavia, Bulgaria and Turkey, there is a newly awakened passion for education. Men are coming to see that democracy can survive only if there are soundly educated leaders. A work of helpfulness and stimulation can be accomplished in education; a work which will receive enthusiastic support from these various nations. They would cheerfully accept high-minded direction. Such a work would cost, in the light of figures we are now dealing with, but a trivial sum. It will profoundly influence the future course of civilization in Europe, and the future welfare of the world.

I do not believe this is an impractical dream, but rather that it is a most materially practical project. The fruit of it would come to quick maturity. Lessons of mutual racial respect and considerations are being learned in the schools, colleges and universities where numerous races, born to blind antagonism, are being educated side by side. Multiply the opportunity to learn such lessons and a profound influence towards softening the world-old hatreds of Europe will be set in motion.

Believing, as I profoundly believe, that the real fundamental solution of Europe's difficulties is a spiritual one, believing that with a continuance of these blind racial hatreds peoples must economically perish, I am convinced that to multiply such institutions as Robert College, and other equally efficient institutions with similar aims, would be a great and fundamental step in the regeneration of Europe. I believe too that America has

men of the high purpose and broad vision which will make them sound leaders for such a movement. I am confident that enough work of this sort has already been done to create a prestige for America which will make a larger effort of this character a welcome one.

We would not have to carry it on single-handed; we would only need to start, organize and direct. The means for the enlargement of its scope and the adaptation of its growth to the national genius of the different countries would come from local sources, and in most of these countries there would arise at once generous springs of local self-helpfulness.

All this is not merely a spiritual ideal, although spiritual ideals are, after all, the granite rocks upon which material well-being is built. I can see the quick economic response that these countries will make to influences of this character.

The effect of the program I have in mind would not be confined to eastern Europe. The restoration of the economic stability of such countries as England, the restoration of the economic stability of all those countries that have become so highly industrialized that they must sell the products of their labor in the form of manufactured goods to obtain the food upon which their existence depends, lies outside of themselves. If they are to continue to live with their present numbers, they must have solvent steady customers for their goods. No greater service could be done those countries nor America than to help build up into economic soundness the customer nations which are to-day stagnating because of mental and economic backwardness and racial hatreds. If markets were opened, industrial nations which are now facing starvation would quickly be able to render a service to world society, against which the world will provide them with ample food.

Let us look at the matter from another angle, the angle of food production. No one who has traveled in eastern Europe with open eyes can avoid the impression of tremendous latent agricultural possibilities. Take the illimitable grain fields of Roumania and South Russia, for example. There is no better land in the world.

These wonderful grain fields of South Russia, now plowed in a way that but scratches the surface by the diminutive ponies,

which in the main compose the working farm animal population, produce on an average six bushels of wheat to the acre. Intelligent instruction, better seed and better breeds of farm animals, the introduction of modern machinery and an arrangement by which small holdings are united under coöperative associations so that the full benefit of motor driven farm machinery can be realized, will easily result in producing three times their pre-war product. A work can be done in educating the peasants of eastern Europe to better agricultural methods, which will compensate most of the losses of the war; to do that will require only a little capital, and a large amount of high-minded, unselfish service. Such an undertaking as I propose could readily accomplish that.

Is this a plan that would build up difficult competition for our own farmers? Not at all. It is a plan which would help feed a Europe which may otherwise be but partially fed, and help restore to Europe the economic power which will make her a greater customer of America than she has ever been before.

I would not plan to take from England, France, and Italy the last dollar that could be forced from them to pay their debt to us, and then spend it all in eastern Europe—great as the indirect recompense of such an expenditure would be in benefiting those western nations. On the other hand, I would not presume to impose our ideas of culture upon those already highly cultivated nations. So far as they were ready to accept grants for purposes for which they are, for the time being at least, incapable of providing by direct taxation, purposes that they themselves would recognize will work out for their ultimate great benefit, I would let a portion of the money they paid us be expended within their own borders.

I would propose to England the establishment of great scientific laboratories. With her genius for sound scientific research she would, through a stimulation of technical education and scientific investigation, give to the world new knowledge of incalculable value.

I would give to Italy, if she agreed to have it, the means for establishing great schools of applied art, so that the tremendous genius for handcraft which the Italian possesses may be turned

into channels which will produce goods to enrich the world.

I admit that it would be more difficult to plan such contributions for France. I have memories of service as a Director of the Society for Aiding French Orphans. France rests in the belief—and with no small amount of sound reason—that her culture is already so perfect that she would not accept such expenditure if it came with a touch of American direction. In that field we ought to proceed with caution and modesty and good taste; but even France might agree that some of the money she paid us could, in turn, be expended upon objects in France that would work out for the benefit of mankind.

I would not make the expenditure on such a program as I am trying to outline wholly a matter of American direction. Remember there must be no relation between the payment of the debts and the expenditure. The debts are just and should be paid. But I would draw upon the culture, the training, the special knowledge, the high purpose of the best of Europeans to aid in formulating the program and in administering it, always keeping the control of the situation, however, in our own hands, for it would be our money that was being expended.

How to administer such a trust as I am suggesting would form a chapter too long to include in this outline. Perhaps I can visualize what I have in mind in regard to administration in a sentence. If the administration of the whole project of expenditure were placed in the hands of a commission, headed by Herbert Hoover, I think we could all safely go about our domestic affairs and find nothing but satisfaction as we read the report of the work.

Our history is not wholly devoid of adventures in altruism. When, after the Boxer Uprising, America in common with several European nations was, somewhat to America's embarrassment, awarded an indemnity of some $20,000,000, we promptly declared that while it was probably just that China should pay us that indemnity we did not propose to receive it for our own enrichment. So we have in all the years since devoted the payments on account of that indemnity to the education of Chinese students in American institutions. The result of that magnanimous act was to give America a prestige in China such as no other nation enjoyed. That prestige would have been trans-

lated directly into commercial profits had not the Government of China fallen upon such evil days, and had not the commercial opening of China, which some day will be a certainty, been for the time delayed.

I should have no hesitation in arguing the merits of this plan with the coldest of American materialists. All I would ask is that such a man have imagination enough to look ahead a few years for results. Never was there a greater fallacy than to say there are no friendships in business. The very warp and woof of business is friendship, confidence, mutual trust, belief in honest and not too selfish purposes.

To the mind that hesitates over such a project as this I would like to put a question. If this plan is not acceptable, what plan then would you propose? To insist upon the payment, and fully to accept all the payment that we could force our debtors to make, would certainly result in two things: In the first place, we will get very little; in the next place, we will create a general European atmosphere of antagonism.

The debtor never loves the creditor. If the debtor is seriously impoverished, if the creditor is rich and powerful, if there are circumstances concerning the debt which permit the debtor to argue, to his own satisfaction at least, that there are palliative circumstances which throw doubt on the full validity of the debt, the relations between debtor and creditor must necessarily become strained.

Under the plan here proposed, it seems to me that the sting of our insistence would be taken away even from the minds of those who see with the least clearness their moral obligation.

If we convert the debt due us into a debt due to humanity the whole world will want to see it paid. Each national neighbor of our debtors will be even more insistent than we that the obligation be discharged, because each will have hopes of improving its own situation with the aid of some of the funds so realized. World sentiment would be favorable to this debt being paid if the purposes to which the accounts were to be devoted were clearly seen to be wise and sound purposes for European regeneration.

We need not make an irrevocable decision when we embark on this program. For a good many years, I believe, it would

be wise for us to devote all we receive to such purposes as I have suggested. It is entirely probable, however, that there would come such economic restoration that in the end a considerable part, conceivably nearly all, of the principal might be paid to us. Interest money that we loaned and reloaned for economic development would be converted from the original obligation of the Allies to obligations representing material properties which we created, and probably backed by the obligations of the governments of those countries where this economic development took place. The time might come when we would cease to make these sums revolving credits for European economic development, because there really would not be further need for us to do so. Then the money would come back to us.

I am firmly convinced that in the great catastrophe the War has brought there has been created an opportunity which could never otherwise have arisen. The obstacles which have arisen in the path of European civilization can be turned into stepping-stones leading to a position vastly better than anything Europe has ever known. The War has made a great awakening in millions of dormant minds. It is possible that newly awakened impulses, if they can only be harnessed up to the machinery of production and distribution, can result in a great actual improvement of civilization. That awakening, those impulses, are now disconnected from any machinery of commerce, and they may all be lost in a decaying civilization. We can help turn them to account. The possibilities that there are in society for realizing better conditions for all humanity are undreamed of. The opportunity has arisen to make those possibilities realities.

If we insist to the letter upon our claim, our claim will in all probability never be met. If we insist upon it selfishly, we realize in hatreds but not in cash. If we are generous, and wisely generous, those claims can all be paid, and I believe will all be paid, and the good we do with them will mean more to us materially than anything we would conceivably be parting with.

For whosoever will save his life shall lose it; but whosoever shall lose his life for My sake and the Gospel's, the same shall save it.

CHARLES RICHARD VAN HISE

GOVERNMENT REGULATION

Dr. Van Hise (born 1857, died 1918), president of the University of Wisconsin from 1903 until his death, was an eminent geologist, a leader in many progressive movements, and an authoritative speaker and writer on Conservation and other economic subjects. This address, here abridged, was given at the Twenty-first Meeting of the Economic Club held at the Hotel Astor, November 1, 1912.

LADIES AND GENTLEMEN:—It is with great pleasure that I find myself able to agree with much that Mr. Brandeis has said. Indeed, with his fundamental thesis that there should not be monopoly in this country, I coincide fully. The question before us, as stated in the program, is "Regulation of Competition *versus* Regulation of Monopoly." So far as I know, Mr. Brandeis was the one to whom this phrase is due. The phrase was indeed a stroke of genius, in that it struck popular fancy and was accepted as a correct statement of the trust problem. The alternative presented naturally led the people to turn toward regulated competition. However, I hold that no such necessary alternative is before us at the present time. There are other solutions of the question of the trusts than regulated competition or regulated monopoly. The scientific mind demands not simply that two of the various possible solutions be considered, but that all be taken into account, and the best one among them selected. [Applause.]

Thus far in the discussion this evening, magnitude and monopoly in industry have been treated as synonymous terms. They are not synonymous terms. Monopoly has a well-defined meaning in law, as you know, and it is that meaning which should be assigned to this term in a discussion before an economic club. There may be a great magnitude in a business, and not monopoly. Indeed, it is believed that by far the greater

number of large organizations fall short of monopoly; but it has been tacitly assumed that all are monopolies. That is a thing to be proved with regard to any one of them of which it is asserted. Only if we assume that all of the great concentrations of industry are monopolies, does the statement of the question as "regulated competition *versus* regulated monopoly" correspond with the problem.

It is generally agreed that concentration of industry up to a certain point is necessary in order to give efficiency. It would not be held by anyone, I imagine, that we should return to the situation of fifty or sixty years ago, in which industry was minutely subdivided, in which there were few organizations of large size, and very numerous minor organizations scattered all over the country. Do any here believe that we shall ever return from the great flour mill to the cross-roads grist mill? It is impossible. This illustration and many others which could be mentioned show that some degree of concentration is allowable. The practical question is, what degree of concentration is permissible and advantageous, not only for economy in production, but for the advantage of the people at large. It is, therefore, clear that it does not meet the question which confronts us in regard to the so-called trusts to assume that all of the concentrations of industry are monopolies. If we can make that assumption and place it as the foundation stone of our argument, it is easy to win approval of the idea of regulated competition.

Monopoly has never been recognized in this country by common law, nor by statute law; neither has it ever been so recognized in England. Coöperation in industry, both by combinations and by contracts, has been recognized by the laws of both countries. The distinction is fundamental. In England, in the middle ages, both common and statute laws were very stringent against combinations and contracts in restraint of trade. But Parliament more than sixty years ago wiped out all the statutes against such combinations and contracts, provided they were not monopolies, contrary to public policy, or immoral; and, of course, *immoral* refers to those practices which have been mentioned as objectionable by Mr. Brandeis, and which we all agree should be prohibited.

Also in this country in colonial days the laws were very strict against combinations and contracts in restraint of trade. But here again there was a gradual amelioration of the laws, until coöperation was permitted along many lines, including division of territory, limitation of output, and even fixing of prices; provided always that, as a result of the coöperation, the combinations did not result in monopoly, were not general, were not immoral, and were not contrary to public policy.

Thus we see that the law in regard to combinations and contracts in restraint of trade went through a similar evolution in this country and in England, and that the laws finally became very liberal. In other countries than England and America the laws in regard to coöperation are also liberal. By gradual development the principle has been reached for most civilized nations that freedom in trade means freedom to combine as well as freedom to compete. This was the situation in this country also when in 1890 the Sherman Law was enacted, and immediately the wheels, so far as combination was concerned, were turned back to the conditions of the Middle Ages. All combinations and contracts in restraint of trade were prohibited, and this applied to the latter even if limited in extent or confined in time. This national legislation led to an influenza of similar legislation in the states, and within a few years more than thirty states had passed statutes against combinations and contracts in restraint of trade, many of them even more drastic than the Sherman Law.

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But I must proceed to the constructive side of the question before us, in the few minutes that remain to me. My proposal, gentlemen, is neither regulated competition, nor regulated monopoly, but freedom in competition, prohibition of monopoly, permission for coöperation, and regulation of the latter. It has been proposed that the concentrations in industry should be so divided that no one corporation shall have more than fifty per cent of any business. That is Mr. Bryan's suggestion. In the case of the Stanley bill the presumption of the violation of the Sherman Law is against a corporation having more than thirty per cent; this is understood to be Mr. Brandeis's sug-

gestion; at least it agrees with the percentage he has mentioned in this connection.

Now, it makes no difference, whether the great combinations are broken up so that no one has more than fifty per cent or thirty per cent of a line of business, or so that there are ten with ten per cent, or twenty with five per cent. The demonstration of this lies in the fact already cited, that thousands of farmers may coöperate in marketing their products, just as perfectly as do the five great manufacturers of steel. This they do in various parts of the country for fruit, for cotton and for other products. Some of the smarter state legislatures appreciate this situation, and in order to prevent the farmers from being hit by their anti-trust laws exempted the products of the lands so long as in the hands of the producers. This was true for Texas, Louisiana, Illinois, and South Dakota. You see the farmers have so many votes that they have to be dealt with gently when they form a trust. [Laughter.]

But naturally the United States courts declared these features unconstitutional, as being special legislation, and not giving equal protection under the laws. I venture to predict that it will not be so popular a political game to shout, "Bust the trusts" when the farmers understand that their trusts are also to be "busted."

Therefore, I believe, we shall ultimately permit coöperation. If we, however, retain freedom of competition, permit concentration sufficient to give efficiency, allow reasonable coöperation, and prevent monopoly, this will require regulation just as it has been necessary to regulate the railroads. This done, the Sherman Law will be forgotten.

Has there been any prosecution of the railroads for violations of the Sherman Act because of collusion in fixing rates? And yet every one of us here knows that they are just as flagrant violators of the Sherman Act as any other class of corporations in the United States. Are the freight rates the same for different roads between any two points? Are the passenger rates between New York and Chicago identical on all roads? Can you do better in price by traveling over the Pennsylvania than over the New York Central, or any other road? The rate is the same, provided the speed is the same. How does it

happen that the roads all got together? Just by Providence, I suppose. It was doubtless by the providential act that these rates were fixed identically upon all the roads, under the same conditions, all over the country. [Laughter.]

Why is it that nobody proposes to indict the railroads for collusion? Simply for the reason that the rates which they can charge are controlled by commissions, national and state. Nobody has any longer any wish to make them any further trouble, because the public is protected by its commissions. That is the sum of the whole matter. The railroads are just as much amenable to attack under the Sherman Act as any other combination in the United States, but when the railroads are giving reasonable rates, and are competing in giving reasonable service, even if the law is on the statute book and is the hallowed thing that has been described, the sense of official justice [laughter] is such that they are not attacked in the courts. Will the attorney-general of the United States or the attorney-general of this or any other state, bring suit against the railroads for conspiracy in fixing rates when the public is properly protected? I have not heard the proposal made anywhere.

However, it is a wrong condition when we have on the statute books a law of a kind which requires the officers of justice to close one eye, whenever they pass by the men in control of one great group of industry, and at the same moment see and prosecute other men not one whit more guilty. We ought to remedy the condition so that honorable business men shall not be in the position, the unfortunate position, of being technically violators of statutes which it is not advantageous from the public point of view to enforce. [Applause.]

I have not time to more than touch upon the necessary modification of the law; but the substance of my remedial proposal is that there be an interstate trade commission and state trade commissions, which shall have substantially the same powers to regulate coöperation in industry that the Interstate Commerce Commission and the state commerce commissions have in regard to the public utilities. [Applause.] It seems to me that the interstate and state commerce commissions and the administrative bodies for the pure-food laws point the way for the next constructive step in the development of the laws

regulating industry. It would perhaps be chimerical, with public opinion as at present, to propose the repeal of the Sherman Act; but by amendments to this act the situation may be met. The Sherman Act can be left to apply, as defined by the Supreme Court, to monopoly. Unreasonable restraint of trade may be defined as monopolistic restraint of trade, and it is rather generally agreed that monopoly should be prohibited. To make the matter perfectly clear, another amendment should allow reasonable coöperation, but such coöperation should be under the watchful eyes of administrative commissions in order to protect the public.

In the moments that remain to me I cannot define all of the powers which these commissions should have. My idea is that they should exercise powers under broad, simple rules of law, and that detailed regulations should be formulated by the commissions. For instance, Mr. Brandeis and I would agree that unfair practices should be prohibited, and by unfair practices we mean what was meant by immoral practices in the common law. But the most vital point of the law should be this—that when the individual is wronged, through unreasonable prices or rebates or other discrimination, it should be the duty of a public commission to handle his case. The aggrieved individual should not be obliged to carry his case through the machinery of the courts; he should make complaint to an administrative commission, and it should become the duty of that commission representing the public, and him as a part of the public, to secure redress. This, while the greatest, is but one of the many advantages which may be gained through the establishment of trade commissions, national and state. [Applause.]

PAUL MORITZ WARBURG

INFLATION AS A WORLD PROBLEM AND OUR RELATIONS THERETO

Paul Moritz Warburg was born in Germany in 1868. He rose to prominence in the banking world as a member of Kuhn, Loeb & Co. He resigned all directorships and trusteeships on appointment by President Wilson as member of the Federal Reserve Board for the term 1914–18. He was of the greatest service to his country in the direction of financial affairs during the War. At present he is Chairman of the International Acceptance Bank, Inc., New York City. Mr. Warburg has written and spoken on public finance and is recognized as an authority in this field. This address was given at a meeting of the Academy of Political Science in New York April 30, 1920.

THERE is no doubt that from the economist's point of view our topsy-turvy globe looks gravely ill just now. Mr. World lies prostrate, and the doctors at his bedside are putting their heads together in anxious consultation. A Princeton specialist diagnoses the case as one of acute inflation. If he could only arrest it he believes he could save the poor man. It is this terrible inflation, he contends, that causes Mr. World's high index temperature and disturbed circulation and that makes him consume so much and produce so little of essential substances.

"No," replies another Professor, "he is so inflated only because we cannot cure his condition of under-production and over-consumption."

"Nonsense," says Dr. Vandersnip, "you have doped him too much, that's what causes the trouble. Stop using artificial stimulants and drugs and he will come through."

"How could he have survived if I had not doped him?" says Mr. Muchado, the surgeon, "and, having accustomed him to the drugs how could I withdraw them from one day to another?"

"Let me stabilize him!"—urges Prof. Irving, another specialist.—"His blood pressure is unbalanced; let me stabilize it, that would cure him forever!"

Poor Mr. World looks at his doctors and feels very low—he does not believe they quite understand his case.

What is the matter with Mr. World?

The truth is that he has just passed through a very severe attack of his old trouble—war. He has never been quite free from it. Every now and then he had a more or less acute spell. But whenever it was over he soon forgot all about it and, instead of trying to mend his ways and find a permanent cure, he went back to his old bad habits. This last attack, however, was so grave that Mr. World has made up his mind to sign a pledge that he will thoroughly reform his mode of living—if only he can survive.

Will he make good when he gets well, or will he forget again? Who knows? But in any event the doctors must get him back on his feet and give him another chance. How can they do it?

Let me discuss the case not from the point of view of the learned specialists, but from that of the plain country practitioner.

In the life and death struggle of war, sound economic precepts have to give way to the dictates of self-preservation. What orderly corporation could dare to issue millions of funded obligations for the purpose of covering running expenditures without any corresponding addition to its assets? But Mr. World increased his obligations by more than $200,000,000,000, while his plant and operating efficiency deteriorated at the same time. These loans were the drugs, they were necessary to save the patient, they stimulated his activities, they gave him a feeling of strength and confidence—while, as a matter of fact, each successive loan, like a drug, further weakened him and made recuperation so much more difficult.

Can there be any doubt that from the day of the armistice it should have been our earnest endeavor as fast as possible to arrest the use of drugs, not only on the part of ourselves but also on the part of our friends, and even our one-time enemies? But so thoroughly was the world "doped" that it took over a year from the date of the armistice for peoples to begin to rec-

ognize that they were living on a fictitious basis of prosperity; that by continuing to incur more debts, new wealth could not possibly be created, but that instead by increasing the national indebtedness and currencies they were simply depreciating the value of investments saved in the past.

The historian will be amused to register the utterly impracticable and freakish theories and plans that, from time to time, were propounded when our generation was first faced with the problems of price inflation and depreciation of exchanges. To-day we smile at the thought that men who consider themselves leaders in economic and financial questions should seriously have entertained the view that prices could be permanently kept down by price fixing, or prosecutions, and that depreciation of exchanges was due largely to Wall Street manipulations; that exchanges could be kept at par simply by organizing a national institution which should clear all transactions in foreign exchanges.

To-day we have no difficulty in understanding that once gold payments are suspended, foreign exchanges largely express the differential between various degrees of price inflation and money depreciation in the various countries affected, and the different conditions of productivity and credit.

We have no difficulty, furthermore, in fastening in our minds the conclusion that now that the United States Government has definitely, as we hope, adopted a policy of living within its income, countries that persevere in covering current deficiencies by piling up additional indebtedness cannot expect to be able to arrest the fall of their exchanges in our markets, by the simple process of incurring new foreign loans.

It is not my ambition in these short remarks to present any new views concerning the causes of inflation, which are generally understood, but rather to dwell for a moment upon the relative position of sequence and importance of its various stages as they impress the country doctor.

When war is declared the first thing that happens is that the government post-haste orders all the things immediately required for the carrying on of the struggle. (Simultaneously people are withdrawn from their regular occupations and others must be attracted to take their places.) The chief aim at that

juncture is to get the things and to get them at once; the question of price becomes a consideration of almost negligible importance. Moreover, in order to stimulate production to highest efforts and beyond its normal peace capacity, attractive prices must be offered. Large prospective profits, in turn, bring about a competitive demand for materials and labor, and prices are thus started on their long upward flight.

Government war expenditures are incurred with terrific speed and, as prices go up, expenditures rises in a constantly growing measure. War funds must be procured at once, while (aside from the dampening influence that over-taxation would exercise on the war spirit of a country and on its eagerness to increase war production) it takes time to pass laws, to devise new sources of revenues and to organize the machinery with which to collect taxes. Government bonds must, therefore, be issued and once the beginning is made, subsequent flotations follow in ominously quick succession.

Moreover, high profits and high wages produce extravagance, and no matter how hard any government may try, it has been shown that everywhere government issues had to be placed in increasingly larger amounts than could be absorbed by the actual savings of the people.

It is at this stage only that banking inflation begins to become a factor of far-reaching importance. As long as the countries maintain their gold standards, the necessity to preserve the power of commanding gold, or the fear of losing gold, or the apprehension that banking liabilities are expanding beyond the safe limits laid down by law or tradition, act as effective brakes against over-expansion in banking and thereby on over-speculation and excessive rises on prices. In normal times new evidence of wealth is produced by the addition of new tangible objects to the country's balance sheet, less what was consumed in the course of their production. Expressed in unscientific language, this is what would generally constitute the annual savings of a nation. To the extent that in normal times savings do not catch up with the production of new objects, bank credit temporarily will be called upon to fill the gap. But as long as a gold basis is adhered to, there is a distinct limit up to which expansion may go, when necessity or caution

will force a halt. Banking expansion normally increases, therefore, in a definite relation to actual savings—hothouse growth on top of actual savings being limited by the relation to gold reserves which must be maintained. In times of war these boundary lines are removed. The steel ring that before held tightly in its grasp the bulging bale is now converted into a weak rubber band. Investments and deposits do not grow any more as tangible assets of value are added to the country's resources, but they are swelled by government obligations issued for services of no lasting value, and even for work that destroys assets instead of producing them. Moreover, the rise of prices naturally increases the loan structure, which can now grow without let or hindrance, for serious consideration is no longer given to the shrinking of the gold reserve and, savings being unable to absorb government bonds as fast as they are issued, reserve balances are created and currencies are issued against loans on government bonds, or as in some countries, against direct advances to the government. As long as reserve balances are created and circulation is issued only against self-liquidating paper, which represents things in course of production, and as long as this process is kept within a safe relation to gold, there may be more or less acute banking expansion, but there would not be any cause to call it inflation. It is when bank loans, reserve balances or circulation are being created against things that do not represent any tangible value, and gold reserves are disregarded, that we face inflation in its classic form. Indeed, with us that inflation took place, when government securities to the extent of approximately one and a half billions became the basis for Federal Reserve bank loans, even though, due to particularly fortunate circumstances, we were able to preserve a remarkably strong gold protection. (This was only possible, however, because at the beginning of the war we had a vast gold treasure wastefully decentralized, in scattered bank reserves, or in actual circulation, and because we were able to concentrate this gold effectively, and to add to it a billion dollars which came to us from foreign countries.) It is of the utmost importance that we realize the fundamental—though in protracted wars unavoidable—part played by government borrowing in causing inflation. I can hardly perceive

that inflation could have taken place in any country enjoying a modern elastic and well administered banking system, if government printing presses could have been prevented from doing their nefarious work.

We must clearly bear in mind the three different stages in the process of war inflation: first, rising prices caused by the precipitate demands for goods by the government and accompanied by disorganized production; second, depreciation of money caused by the process of rapidly increasing the national debt (in form of bonds or currency) in advance of the country's saving power; and finally, inordinate bank credit expansion, degenerating into inflation as a consequence of the dilution of reserve money and circulation through direct or indirect government loans. It is true that as bank-credit inflation progresses, it, in turn, becomes an active factor in depreciating the value of money and in boosting prices. But, to my mind, this development is the evil counter-effect of the other two, not, as some economists appear to think, the primary cause.

You may ask: why lose so much time in this analysis of causes and effects? Because the word inflation, though covering a multitude of sins, is often used as designating one disease, and as a consequence, there are many that seek relief in one single remedy, while it is all-important to grasp it as firmly as possible that Mr. World is not suffering from any one particular sickness, but from several. He is at present like a patient suffering from a broken leg, a toothache, and an attack of pneumonia. The three things combine to make him feel miserable, but each ailment must have a separate cure.

Increase of government indebtedness must be arrested, and national budgets must be balanced, by reduction of expenditures and increase of revenues. (Indeed, wherever possible, a gradual amortization of government loans must be aspired after.)

The inordinate demand for things must be met by increased production and by greater moderation in the extravagant consumption of goods.

Banking inflation must be combated by an earnest attempt to reëstablish and preserve the healthy check placed upon us by a conscientious observation of our gold obligations, which implies a stricter control over bank loans and a great effort to liqui-

date excessive loans, commercial and governmental, by savings.

The world as a whole must tighten its belt if there is to be enough for all. That belt is a strict control of credit without which the world will continue to gorge itself and inflate.

While to the layman rising or falling gold reserves may serve as the most impressive gauges from which readily to judge to what extent our banking situation gains or loses in strength, as a more reliable standard to indicate banking expansion, and its effect on price levels, we should at this juncture rather watch the item "total investments" in the Federal Reserve statements. We might be forced to export hundreds of millions of gold, seeing our gold reserves correspondingly reduced thereby, and still be justified in continuing to do our business without disturbance or alarm; our general position of overtowering strength remaining unaffected, due to the large debts the world owes us as a whole. On the other hand we might gain several hundred millions of gold, which would increase our gold reserves, but we should not be inveigled thereby into establishing lower interest rates or into encouraging a planless increase of the Federal Reserve banks item of "total investments," which would involve further banking and price inflation. Larger gold holdings would simply indicate that we should have accumulated greater strength for the possibility of such expansion provided that, in due time, it could be based upon the natural growth and the solid foundation of increased production and actual savings. It must be our first concern however to get the world back upon a basis of normal production and if it should become imperative for that purpose temporarily further to expand—then, I believe, and only then, should we be prepared to make an exception to this rule and permit it. When an engine reaches the dead point, we often have to reverse it in order to get the train started in the right direction. When we have a weak customer, who owes us a great deal of money, we sometimes have to loan him more in order to enable him to get over his difficulties and pay us back. In other words, we must arrest planless inflation, caused by hysterical competition and crazed speculation and extravagance, and husband our resources so that we may use them courageously when we know for certain that expansion is devoted to purposes that ultimately will bring

a cure; that it is a definite means toward a definite essential and constructive end which, in this case, is to arrest the endless rise of prices and to prepare the way for ultimate deflation.

It is important, however, to recognize that inflation will only capitulate if a concerted attack is made from all the three sides I have described. Banking contraction alone cannot effectively be brought to bear if the government continues to increase its indebtedness in payment of current deficiencies, nor can it succeed unless production is increased. By attempting to curb loan expansion and government issues, we may at best prevent a further rise of prices but we cannot hope to substantially reduce prices if, in addition, we do not manage materially to increase production; unless, indeed, consumption be decreased to a larger extent than at present appears possible.

And this leads us to another very obvious conclusion, which is that with labor conditions what they are and extravagance being what it is, it is foolish to expect that the few countries living in fairly undisturbed economic and social conditions could speed up their lagging production to a degree sufficient to make up the deficiency caused by the voluntary or enforced idleness of countries involving more than 200,000,000 people in Europe.

The world before the war had become one closely interrelated economic unit. The products of the mines of Chile and Norway had become as important components of European and North American industrial life, as Brazilian coffee and Chinese tea had grown to be integral parts of our diets, and Manchester or Chemnitz goods had become necessaries in the lives of the Chilean and Australian. Two countries, geographically remote from one another, might face ruin or starvation unless they could exchange foodstuffs or coal, or other goods or materials. The war and the social upheaval following in its wake have brought about drastic changes in the relative positions of capital and labor. The latter, in the future, will insist upon a larger share in the results from its work—and will claim this larger share, moreover, for a smaller return in work.

In the face of these circumstances is not the inference all the more inevitable that it is idle for us to assume that we could get the world back into a condition where goods seek the mar-

ket more than the market seeks the goods, in other words, that we may come to see an era of receding prices, until the entire world returns to a fairly normal state of production and interchange? Until that is done, the demand for goods will dominate the situation; and as long as the demand for goods reigns supreme, labor will have the whip hand both as to wages, and to the services it is willing to render at any price. We cannot expect to get control over wages and prices (nor can constructive labor master its own difficulties) until the world as a whole puts its house in order and until labor in Europe competes again with labor over here.

It is quite evident that such glaring disparities as at present exist between our own prosperity and the acute suffering in some parts of Europe in the long run will not be permitted to prevail. Unless we indulge in the impossible assumption that peoples can be caged up, so that they may perish of disease or starvation without disturbing their neighbors, we must expect that by sheer force of necessity these hungry and desperate hordes will come over here in order to share with us our own plenty and opportunities. Some twenty or forty millions of additional immigrants, to be fed and clothed by us, would quickly solve a substantial part of our problem of placing our excess production. Would such extreme development, however, be the most economical, the most humane and, for us, the most desirable solution; and, if it is not, what is the alternative?

Over here we have a shortage of labor and an over-supply of raw materials. Over there, Europe has an excess of labor and a shortage of raw materials. We have high wages; Europe has lower wages. We have too much food; Europe starves. We are the world's creditor; Europe is in our debt and has not the means with which to settle. Is not the logical solution of this problem that our capital should go right into the countries that at present most need a helping hand? Instead of increasing certain plants in our country where there is a shortage of labor and higher prices would it not be logical that we assist in putting into operation similar plants in countries with excess labor and lower prices, where, in consequence of the unprecedented depreciation of their exchanges, in some cases we could buy factories or properties at a fraction of

what it would cost to reproduce them here? Is it not obvious that by furnishing European countries with raw materials and credits, we would help them to restart their economic life and place them in a position where they can pay their just debts and where in the long run they can work their way back to approximately the same standard of living they enjoyed before the world was thrown into the turmoil of war? The ways in which this could best be done would differ according to the varying political, social and economic conditions of the countries affected. In some the usual methods of granting short-term banking credits and of buying securities, foreign or their own, may still be applicable. In others, where foreign exchanges are subject to violent fluctuations, or where the local currencies have become so depreciated that in world markets they have practically lost their purchasing power, it might be indicated to combine the sale on credit of raw materials with a contract for the sale of the finished articles, into which the raw materials are to be converted. In others it may prove the best solution to buy part ownerships in existing factories or plants.

There never was an opportunity for an undertaking more tempting from the economic point of view and more appealing as a work of healing the wounds that a crazed world has inflicted upon itself. Governments have shown that they are capable to direct, and that they can unite in directing, the work of destruction. In coöperative work of reconstruction, most governments, so far, have shown themselves dismal failures. The bulk of that work (barring relief to be given to peoples facing extirpation or decimation by starvation, disease or economic ruin) will have to be carried on not only by the governments, but primarily, as it would seem, by the direct initiative of the peoples.

One could fill a large volume in discussing the question of private enterprise *vs.* government operation. It has well been said that either our political and economic problems must become smaller or our leaders must become bigger. Tested by billion dollar and one hundred million people units, the human genius and capacity of the present generation has been weighed and found wanting. Speaking by and large, I think, therefore,

we should beware of drawing any government into activities it could in fairness avoid. The larger the government's scope of operations, the larger must be the number of billions it must raise. Excessive taxation is a wasteful and uneconomic procedure, because it continuously withdraws funds from points where they have converged for productive purposes and at once scatters them again. It is a violent and haphazard process of distribution—funds often being taken from those that produce in order to be placed in the hands of those that waste—and at best it involves a long, continuous and costly interruption of the flow of money into the channels of production. Moreover, whenever the government's expenditure moves ahead of the country's saving power, this distribution takes the form of inflation.

Inflation, as we all know, is the cruelest and unfairest method of taxation. It arbitrarily decimates entire classes of the most valuable elements of our population and blindly enriches others, amongst whom are those who gamble and profiteer in the very things the world most urgently requires. The heavier a country's burden of expenditures the vaster the volume of funds it must collect and distribute, the more drastically does it interfere with the healthy development of private enterprise and the nearer does it draw to the fatal abyss of so-called "socialization" or "nationalization."

Bearing these circumstances in mind, one cannot but follow with genuine alarm the impending danger of seeing the Government committed to an expenditure of more than $1,500,000,000 involved in the contemplated Soldier's Bonus legislation. It threatens to lead to the alternative of over-taxation, or increased Treasury borrowing of a temporary or more permanent character. In one form or another it would, therefore, lead to inflation or disturbance and delay the ultimate adjustment.

In closing permit me to sum up the practitioner's advice in the case, as follows:

We must fight inflation with all the means at our disposal:

First, by arresting the further increase of government indebtedness and, if possible, by reducing it;

Second, by trying to call a halt on further bank credit and note-issue expansion, destroying thereby the atmosphere of

easy money and paper prosperity that makes for individual and corporate extravagance and fosters discontent amongst the masses and renders them disinclined to give their full measure of work. In doing this we must boldly tackle the most difficult task of curbing the production of unessentials and of stimulating the production of essentials;

And finally, we must fight rising prices by stimulating essential production, not only here but also abroad, which means that we must furnish Europe with the materials required in order to rehabilitate her industries so that once more she may become self-supporting. As far as this involves the granting of further credits, it should be our determined purpose to provide them from our savings; if we are incapable or too irresponsible to accomplish this, we must submit to paying for the unsaved balance by inflation. That would prove, as we have seen, a wasteful and highly regrettable alternative, but it is easier for us to bear the sacrifice than for Europe. Moreover, by curbing extravagance it is in our own hands to counteract the evil effect of such loans. Irrespective, however, of the moral or humane issues involved, from the purely selfish and practical point of view, we know that unless we help Europe to preserve her industries and social institutions, we may not ourselves hope to regain control over prices and wages; and social unrest and disorder in Europe are bound to throw their shadows across the Atlantic and the Pacific.

Further inflation, carefully measured and applied, may thus become a painful remedy in case we fail to master our extravagance. Obviously, we must not permit the dose to be made one single grain heavier than the most conscientious study, and our most determined efforts to avoid it entirely, may warrant. This duty of carefully restricting to the minimum this measure of our support is an even graver one with regard to its recipients than with respect to its giver. For European countries of to-day are staggering under the load of their debts; any new obligation adds further to their burden, and increases the difficulties of their ultimate recovery. Support must, therefore, be restricted to the minimum that would remain as an imperative and irreducible requirement after a country abandons its vicious war habit of printing notes and obligations in order to

cover deficiencies, and after it arrests the flow of easy money and credit that encourages extravagance. For no good purpose could be served by pouring water into a tank without a bottom.

Mr. World cannot be cured by fake patent medicines, but only by sound habits of hard work and thrift. Moreover, Mr. World must remain conscious of the fact that his body has many component parts, all of which must be brought to their normal functions before once more he will feel truly comfortable and happy.

If, in order to help Europe to return to a basis of order and increased production, we are to tighten our own belt and save, or failing that, to bear the additional burdens of inflation, Europe herself must do her share whole-heartedly in bringing about that result. We can help Europe to regain her productive powers only as European countries help one another.

With that great force and straightforwardness which we have learned so deeply to admire, Signor Nitti said:

> War and peace are not only facts. They are states of mind. The trouble with the world to-day is that it is still in a war state of mind. It must get into a peace state of mind. The war is over. Let's have peace. Every man and nation must produce to the utmost. Without real peace the nations can not produce.

No truer words have been said. Even though, through a pitiful combination of circumstances we, of all nations, are technically still at war, and thereby forced to stand aside at the very moment when we should be leaders in the front rank, the all-important fact remains that the War has been ended since a year and a half, and that reconstruction and peace must at last become an actuality amongst the nations. Not until a clear and practicable program is laid down for Europe's future economic life, and not until our own relation thereto has been definitely established, shall we reach a basis on which America will be able to throw herself confidently and unreservedly into the task.

From aristocratic ages we have taken over the old beautiful saying: *Noblesse oblige.* Translated into plain democratic American language it means that we cannot seclude ourselves and aspire to live in wealth and contentment, while the rest of

the world suffers poverty, starvation and distress. If we were willing to accept that position, we could no longer keep our heads high as citizens of the United States when in the future we gaze into the eyes of our fellow-men.

It would be a tragic irony of fate if the most unselfish and most generous effort ever made by a nation should lead to such a pass. That outcome is unthinkable. No matter how much at present we falter and flounder, that ultimately we shall rise to the standards of our proud traditions, nobody can doubt who knows and trusts in the fair-mindedness and self-respect of the American people.

FRANK EDSON WHITE

NEW IDEAS FOR AN OLD INDUSTRY

Mr. F. Edson White was born in Peoria, Illinois, in 1873, began in the packing business in 1890 and became president of Armour and Company in 1923. The following address gives a brief but comprehensive exposition of the conditions in one of our largest industries. It was delivered at a Convention of the Institute of American Meat Packers in 1925.

At present, we are doing our best to remove the last vestige of the speculative element from our business and to place ourselves as near as possible on a straight manufacturing basis. This fact points only to one conclusion; namely, to make available to everyone the most accurate information possible on all of the factors affecting our business.

The problem of costs in the packing industry is largely a question of plant operation. For so many years we have indulged in self-praise over the advantages of our utilization of by-products that we have come to take our efficiency for granted. We have pointed out what a small proportion of the dollar is required for our operation, too many times without considering whether we could still further narrow this margin.

We have become so accustomed to the traditions of the manufacturing side of our industry, and so many of our plant men have grown up under these traditions and with little outside experience, that new ideas often come to us as a shock. Yet conditions in the world throughout which we are trading are more likely than ever before to force us into new ideas.

Commerce in every corner of the earth is repressed, staggering under the shadow of the war and post-war debts, either paying direct levies toward their reduction or indirectly suffering from stagnation as a result of contracted currencies and purchasing power in the principal world markets. Every na-

tion is feeling the pressure, whether it was directly involved in the war or not; and every nation is restlessly biding the time when international settlements of war obligations, tariffs, and trade agreements will permit it to produce in volumes large enough to apply effectively to debt liquidation or to increases in current wealth and consequent international exchange of goods. While the good sense of most peoples is restraining them from producing recklessly without thought of market, one cannot enter the field of international trade without sensing this feeling of muscular inhibition, of power under leash, of straining for the start, once the barrier is removed.

Without question, we may expect to face in the next two decades the most severe foreign competition we have ever experienced. This competition will not only meet us in our markets abroad, but will also reach us at home. On a gradually increasing basis, we will be offered great quantities of everything that is manufactured and shall have to compete with the same sort of offer to our foreign customers.

More than ever, the problem we shall face as manufacturers will be the stimulation of consumption. The final adjustment of post-war difficulties will come only when we can induce the general population of the world to consume large enough volumes of products to liquidate past obligations of industries and governments at a rate that will permit them to contract new obligations and undertake new enterprises.

Our national industrial conditions are certain to change under these circumstances. We have been a country of high wages and high living standards. Can we continue to compete on such a basis? Our principal trade rivals today have deflated labor, and most of them possess a deflated currency. Our political platforms and national ideals, nevertheless, call for the continuance of the living standards we have enjoyed. If we are to preserve these standards, we must not only increase the individual productivity of our workers, but we must also increase the efficiency with which our businesses are run.

When a competitor discovers some new process of manufacture, preservation or distribution that will permit it to flood the world with its product, we can maintain our position only by developing processes that will parallel them. Further tariff

walls cannot help us. We may coax along our domestic market for a time, but our salvation will come through research and study of our own so as to meet the economies permitted by research and study on the part of our competitors.

The packing industry is a national industry. To a large extent, the American packers are predominant in the international situation. Nevertheless, any country with a special product, like Denmark, for example, or any country with a special advantage in cost of production, like Argentina or Brazil, can readily find any position it may desire in international trade, regardless of our efforts. Our permanent status in world commerce is going to depend on research, not only research of the type which is being promoted by the Institute of American Meat Packers, but broader research in the engineering problems of the industry, in the further substitution of machine power for human labor, in the cutting of costs at points along the line which our traditional methods of operation do not at present suspect.

We need engineers with the viewpoints of other industries to help us revise our own methods. We need students of marketing and distribution, sales analysts in the broad, and not the narrow, sense, to point the way toward a competitive efficiency with industries which directly or indirectly affect the volume of our production and the margins of gross profit we receive. While I am the first man to congratulate and reward the veteran, I should also like to be the first man to stimulate or recognize new steps that can improve the status of our business. Although we are an old industry, we are by no means immutable.

Recently another American industry with as old and tried a tradition as our own suffered a tremendous competitive shock through a German invention for the synthetic manufacture of wood alcohol, at costs of production variously estimated at from 10 to 50 per cent of those of our own wood distillation companies. Their natural response was first to seek further tariff protection, but an action of this sort can never answer such a severe competitive thrust. If Germany can discover such cheap methods of production, so can America, and the future of our industries depends not on tariff walls and

trade isolation, but rather on the keenly competitive application of intensive research. Whatever scientists of other nations can accomplish, so also may scientists of our own, and our need is to bring all American industries to a proper recognition of this necessity. Among packers, this need was recognized through the research activities of the Institute of American Meat Packers, but, frankly, our program, despite its cost, is small in comparison with the program of other industries.

To begin with, our money does not go as far. The baking industry or the dairy manufacturers have problems limited to relatively narrow fields. The packer, on the other hand, must face the problem of all types of products of the animal; fresh or cured, edible or inedible, pharmaceutical or nutritional, perishable or non-perishable, meats or hides and wool, or any other variety of classification that we can conceive. Our money cannot bring the returns realized in many other industries because our field is so much broader and so thoroughly uncomparable with that of any other industry.

This discussion of costs in our industry and the application of research to them is perhaps not the practical discussion I am expected to offer. Nevertheless, it is a phase of the problems of the packing industry that so far transcends any discussion of the immediate reduction of costs on the basis of our traditional methods of operation, or of our live stock buying policies, that I feel it is far more worth our while to consider it. The survival of individual firms within our industry no doubt depends on the adoption of policies that will save each last penny available in the economical operation of our businesses. But the survival of the American meat packing industry in competition with that of other countries, and the perpetuation of its position among the industries of our own nation that encroach on our present fields, is dependent on our maintaining the most receptive attitude we can toward new ideas and efficiencies of operation and distribution.

Studies and research now being made within the industry will perpetuate its position among the industries of our nation and of the world.

CHARLES R. WIERS

A SWARM OF BE'S

The art of writing receives great attention nowadays in business both in connection with advertising and with the ordinary correspondence. That the art of writing goes hand in hand with the art of speaking is shown by this address before a Direct Mail Advertising Association convention held in Boston, October 30, 1925. The speaker is Mr. C. R. Wiers, vice-president of the National Shawmut Bank of Boston.

MR. CHAIRMAN, LADIES AND GENTLEMEN: You, of course, understand that I am about to play the rôle of a pinchhitter. [Laughter.] I have been much too busy in the last few days to prepare the kind of a talk I should like to deliver. Most everything I have for you has been prepared since breakfast this morning, and as a result it will not be as complete and as logical as I should like to have it.

I want to do two things: First, I am going to give you a Swarm of Be's, and then if time permits, I am going to apply these to some actual letters. Perhaps it might be well for you to take out your pads and pencils and make a note of this Swarm of Be's. It is possible that you can use them in some of your activities of the future.

First: Be a sunshine distributor. A smile is worth a thousand grouches.

Out on Bryn Mawr Campus, in Philadelphia, there is a sun dial erected to the memory of a young woman. On the face of that dial are these significant words: "I mark only the sunny hours." The first time I saw that dial I told Mrs. Wiers I would like to paraphrase its message and pass it along to every business man in the land. If I were to paraphrase it I would word it in this way: "I make only the sunny hours."

Second: Be careful. Of the 40,000 pieces of mail matter

sent to the Dead Letter Office from the Boston Post Office last year, 23,000 were poorly addressed or insecurely wrapped. Eighty thousand letters are sent to the Dead Letter Office every day from New York City for lack of street addresses. I receive letters almost every morning addressed to "Wier," "Wiess," and I have even had them addressed "Weary." [Laughter.] I attribute this to nothing under the sun except downright carelessness and a downright refusal on the part of men and women to use their eyes.

We need a little more discipline in business life to-day and I hope you will go home and have some administered, so that at least your customers will receive letters from you with their names spelled correctly. If a person's name is "Browne," he should not be addressed as "Brown," and vice versa. Learn to be accurate. Learn to call people by their right names.

Third: Be thorough. No letter ever scores unless it is sensible and complete. Remember that.

If I am struck by a trolley car to-morrow morning at the corner of Tremont and Boylston Streets (if there were street cars there) and I write to the street car company and say, "This morning, while going downtown, I was struck by a street car at the corner of Tremont and Boylston Streets," my letter is a joke. But if I say, "This morning at about 9:30, while crossing Tremont at Boylston Street, I was struck by Car Number So-and-So, in charge of Motorman So-and-So and Conductor So-and-So," I give that company some facts with which to handle my complaint intelligently. And in nine cases out of ten, I will get a far better response and in quicker time than if I just dash the letter off, as the average man does.

We should always work, in this letter writing game, as if to-morrow would never come. For example, I pick up a bunch of correspondence this morning, which somebody else has been handling. Well, if somebody else has been handling it, the first letter I look at should be so complete from A to Z and back again as to make it unnecessary for me to go any further for a mastery of what has preceded.

Fourth: Be broad-gauged. Of all the points I am trying

to emphasize this morning, I do want that one to stand out conspicuously because the world is full of small people and that applies particularly to adjusters.

Very few people have learned that many times it pays and pays well to spend $10 to adjust a $5 transaction. Don't forget that.

I remember, when I was with the Larkin Company, (our city sales department was across the street from the main office; I had some supervision over the complaints that were received in that office) a man came in with his wife and made a very vigorous complaint. He was getting the better of the manager. The manager asked me to come over and participate in the dispute. I said, "No, you keep the woman over there and send the man over here." [Laughter.]

The man came over. I greeted him cordially and said, "What is the trouble?"

He said, "I have had trouble with your paint. It has gone wrong on my house."

"How much of it has gone wrong?"

"Well now, look here," he said, "I don't want to argue that question. I want you to come out and see my house."

I said, "My good friend, if you were living out in Nebraska, we wouldn't come out to see your house, we would take your word for it. Because you live in Buffalo is no reason for treating you otherwise. How much of that paint has gone wrong?"

"I don't know."

"Do you think half of it has gone wrong?"

"No, I don't think it is as much as that."

"Well, how about a quarter?"

He said, "I think that is about right."

I said, "I'll tell you what you had better do. You go back to our city sales department. Talk the matter over with your wife and settle it to suit yourselves. If you want more paint, equal to the original purchase, take paint. If you want the value of the paint in money, take that. If you want something else, take that. It is squarely up to you. We are ready to adjust it your way."

He went back to the city sales department and took more

paint, and before that man and woman left they ordered $112 worth of other goods and paid cash for them—all because we had learned how to adjust a complaint.

You have heard the Marshall Field story of how a man came in once and exchanged a hat. Then he came back and exchanged the same hat a second time. When he came back the third time to repeat the stunt, the clerk went to Mr. Field and said, "What shall we do about it?" Mr. Field said, "Exchange the hat." To determine whether or not Field was right, all you have to do is to go to Chicago and look at those piles of brick and stone and mortar that stand as an eloquent tribute to him as a business genius and as an adjuster. Go and look at those stores to-day and you will appreciate the importance of putting distinctive things into your work, into everything you do.

Fifth: Be thoughtful.

You won't accuse me of boasting if I tell you that for several years it has been a part of my daily routine when I come into the office in the morning to look around and inquire: Is somebody sick? Is somebody discouraged? Has somebody lost a loved one? If so, out goes a letter of condolence, a letter of encouragement, a letter of congratulation; something here, something there, in order to help the other fellow. What is the result of it? The result of it all is that I am better disciplined for the day's responsibilities. I became charged with the kind of spirit that is so necessary for the writing of the right kind of letters. The average man to-day is so wedded to routine that he keeps on using the same expressions over and over. He does not recognize, neither does he value the little things.

Do you not recall those black-bordered cards that come into the office every once in a while announcing the death of a senior vice-president, or somebody else? And haven't you seen many of them go the waste basket route? They never do in my office. All such things receive deserved recognition. Sometimes it is the announcement of the fiftieth anniversary of a firm, or something else of a similar nature; it doesn't make any difference what it is, out goes a letter, and that letter is always very carefully worded, to show that the firm

writing it has a heart that beats responsively to the needs and conditions of others. [Applause.]

Sixth: Be enthusiastic.

You do not need any emphasis from me as to what "enthusiasm" means. It is the pep, the ginger of life; it is the thing that sent Peary many times in search of the North Pole. It sent Columbus across the broad Atlantic in search of a new world. It is what distinguishes between a dead one and a live one.

If you want to make your letters live, make them enthusiastic, but you can't make your letters live and be enthusiastic unless you are enthusiastic yourself.

Seventh: Be courteous.

You will say, "Why emphasize that, Mr. Wiers?" Well, simply because we are living in a jazzy age. The smart and the flippant are to the front to-day. Loose talk is in evidence everywhere. Is it any wonder that nearly every time we refer to our President we apply the term "Cal" with the same familiarity as if he had been our next door neighbor for a decade or more? When Mr. Roosevelt was on earth it was "Teddy," and when Mr. Wilson was here it was "Woody." And so it goes.

Worst of all you find the same objectionable thing reflecting itself to such an extent in our letters as to inspire me to say to you publicly, and with all the emphasis at my command, that I do not believe in the clever and the smart in any written communication. [Applause.] I do believe in facts, and these I would have humanly stated by a real man or a real woman. Let us get away from the clever and the smart. When I am tempted to be smart, I always think of that man in the inner office whose hair may be touched by the snows of winter, and who for a variety of reasons has no appetite for smart stuff. You never know who your man is at the other end of the bargain. Wouldn't it be wise to look upon him as a sensible man who will respond to sensible stuff, in attractive packages instead of the stuff that smacks of the street and of the alley.

Eighth: Be in earnest.

In St. John, you find these words: "If ye abide in me, and

my words abide in you, ye shall ask what ye will, and it shall be done unto you."

Then, again, do you not recall this advice of the Master: "Ask, and it shall be given you; seek, and ye shall find; knock, and it shall be opened unto you."

Whether you receive in proportion to what is promised, or what you request, depends largely upon the earnestness of your approach. Faulty composition on the part of a writer, or flagrant errors on the part of a speaker will be quickly forgotten if either the writer or the speaker is in earnest.

Ninth: Be alert.

If I were to define efficiency, I should simply say that it is a matter of keeping our eyes open. You will never know what to put into your letters or what appeals to people unless you keep your eyes wide open. Learn to be alert.

Tenth: Be patient. "Be patient," as I define it, means nothing more nor less than keeping our heads.

You see letters coming into the office, giving you "the devil" for this or that. That should never be your opening for coming back in the same way. Smallness on the part of the other fellow is invariably a generous invitation to you to be big. Because a man calls you a liar when he has temporarily lost his balance is no reason under the sun why you should retaliate with a similar line of small town talk. Just remember that.

Eleventh: Be a stickler for simplicity.

The "Message to Garcia," I am told, has been translated into as many languages as the Bible. The Japanese Government a few years ago purchased 500,000 copies of it. The General Passenger Agent of the New York Central Railroad purchased even more. What a simple story! Lieutenant Rowan was given a message and was told to deliver it to General Garcia in the wilds of Cuba. He didn't ask what trolleys ran past the door, how he was going to get there, or anything of the kind. He was told to deliver that message and he delivered it. Around that simple incident, Hubbard wove a fascinating story which to-day is a classic. I commend it to you for its simplicity.

But over and above that, let me commend to you the Twenty-Third Psalm, which, according to the words of Henry Ward

Beecher, has charmed more griefs to rest than all the philosophy in the world:

> The Lord is my shepherd; I shall not want. He maketh me to lie down in green pastures; he leadeth me beside the still waters. He restoreth my soul; he leadeth me in the paths of righteousness for His name's sake. Yea, though I walk through the valley of the shadow of death, I will fear no evil, for thou art with me; thy rod and thy staff, they comfort me.

No wonder that this great psalm can be comprehended by any man, woman or child. It embodies guidance and helpfulness in language that is simple and direct.

Twelfth: Be clear.

It doesn't make much difference what the boss thinks about your letter. It doesn't make much difference what you think about your letter. The question is: What will your real or prospective customer think about it? Will he understand it? That is your job; your job is always the other fellow. The supreme boss of any business is the customer, the customer every time.

Let me give you one simple little illustration. Take the two words "answer" and "reply." They are synonymous in meaning. Technically, we answer questions and reply to charges, but if you were to meet me on the street to-morrow morning you would invariably say, "Mr. Wiers, you haven't answered my letter." You wouldn't say, "You haven't replied to my letter." So in choosing between these words, I choose the word "answer" in preference to "reply," because it is the language common to other folks.

I do not put any highbrow stuff in letters. Two-thirds of my life has been spent in taking out big words, taking out expressions here and expressions there, although they may be right (I am not decrying them); they may be right according to rules of grammar, but Henry Ward Beecher once said when preaching, "If grammar gets in my way, God help the grammar." [Laughter.] Beecher had the right dope.

Adjust your message to the other man. Talk always so he can understand you. Go over your letters before they go out and also develop a sufficient regard for your own messages to

do all the signing yourself. Always dictate deliberately. Remember that a goodly percentage of letters dictated in this world circulate widely beyond the person addressed. Most every letter and most every person has more influence than any of us imagine.

When I was with the Larkin Company, we used to get letters time and time again, requesting a piano or an organ for a church, a carpet for a new lodge room, and a variety of other things. We always turned down those requests, with a detailed letter that would enable the recipient to appreciate the sanity and the justice of our declination.

If a young man should come into my office to-morrow morning and ask this question—"Mr. Wiers, may I go to the ball game?" I wouldn't fumble around with some papers while he was talking to me, as many a busy employer would do, and let him go out and advertise me in some such way as, "I just had a talk with the old bear, the old nut; he doesn't appreciate ball games, or golf, or anything else." Instead, I would have him sit down—and here I catch the psychology of a letter, too—and I would say, "Now, John, look here. That ball team is to be in town all this week. You know we are very busy. You know how much we depend upon you. I wonder if you couldn't defer the pleasure you have in mind until, say, Thursday or Friday when perhaps I shall be able to go with you."

Now let's apply the same ethics to a letter. I wouldn't write a letter and say bluntly, "We cannot do so-and-so." I would soften it a bit and say, "Much as we should like to comply with your request, we find it impossible, for such-and-such reasons." I would do this in order to show the sympathy of the writer, to show that the writer has a heart.

Thirteenth: Be a lover of people.

Before you leave Boston I suggest that you go out in front of that magnificent church made sacred by the memory of Phillips Brooks, and pause for a few minutes before his statue, on the base of which you will find these significant words: "Lover of mankind." Do you suppose anybody in all this world could have paid a more fitting tribute to that wonderful preacher than to put those words there, "Lover of mankind"?

My friends, do you love mankind? If you don't, I say to

you this morning that you may as well quit your letter writing business, because it will never be a success in a thousand years. Love people. Study them in churches, offices, factories, workshops, wherever you find them. Familiarize yourself with their ideas, their ideals and ambitions, ever remembering that the closer you get to those upon whom you are dependent for your progress, the more opportunity there will be for delivering a degree of service that will be sensible, economical and lasting.

A few months ago I happened to be coming from Chicago with a college professor. We sat talking in the buffet smoker. Suddenly we started on the subject of dealing with the other fellow. As we progressed he told me that he had the largest classes in Shakespeare at his university. I said, "How under the sun are you able to interest red-blooded fellows in Shakespeare?"

He said, "I will tell you. I first get them to like me and if they like me they will like the things for which I stand."

"Why," I said, "my dear sir, you have summarized the basic principles of salesmanship in a very few words: 'I first get them to like me, and if they like me they will like the things for which I stand.'"

Fourteenth: Be human.

There is nothing more or less to that than being a "regular guy." That is all there is to it. Be a "regular guy" in all of your contacts with other folks. It will soon reflect itself, and others will find in your leadership something worth following through storm and sunshine.

On that score, may I just add this? As you go ahead with your publicity work, whether it is upon the written sheet or in some other form, I plead with you to get a better vision of your personal influence. The older I grow, the more I become convinced that very few men or women ever comprehend their individual influence.

I heard a story a short time ago which I must pass along to you. A little boy went out one Sunday morning and putting his feet in some tracks in the snow made by his father, said, "Daddy, look, I am walking in your footsteps." His father raised his hand to his head and said, "My God, where are my footsteps leading my boy?"

That is a question you and I can well afford to ask ourselves every day: Where are my footsteps leading my boy, my friend, my fellow-worker?

Fifteenth and last: Be a student.

We do not read enough. We are getting to be slaves to newspapers and strange as it may seem, we revel over the details, particularly if they are vulgar or gruesome. If John Jones shoots his wife, what under the sun do you care about all the details? He shot her. You get that in the headlines, and that is enough. She is shot, isn't she? [Laughter.] Why spend a day and a half going over the details of that story?

What you and I need more and more every day is an active contact with good books. I am frank to tell you that I haven't much time to spend on fiction. However, I am not here to speak disparagingly of fiction because I know it strengthens our imagination and affords us a certain degree of rest and recreation. I like to read biographies. I like to read human stories. I like to read about the things pertaining directly or otherwise to my job. I like to have something choice stuffed into my bag when I travel, something by means of which I can enrich my mind, broaden my vision and enlarge my sympathies. It is just putting into practice that little couplet,

"Lost yesterday between sunrise and sunset two golden hours, each set with sixty diamond minutes. No reward is offered because they are gone forever."

Finally, there are "yes" words and there are "no" words. The "yes" words which a correspondent should always keep prominently in mind are: Courteous, sincere, pleasant, friendly, cheerful, warm and helpful. The "no" words which should not be a part of his vocabulary or a part of his activities are: Discourteous, curt, sarcastic, sharp, impertinent, peevish, cold, over-bearing, and harsh.

It isn't the thing you do, dear, it's the thing you leave undone
That gives you a bit of heartache at the setting of the sun.
The tender word forgotten, the letter you did not write,
The flower you might have sent, dear, are your haunting ghosts at night.

C. K. WOODBRIDGE

SALESMANSHIP AND ADVERTISING

This address was made before various business organizations in 1925 by Mr. C. K. Woodbridge who was then president of the Dictaphone Sales Corporation.

ADVERTISING and Selling in all lines needs re-firing. Directors, presidents, manufacturers, jobbers and retailers have been too greatly concerned with the problem of production, and not distribution or consumption. Now we are facing changed conditions. Goods must be sold. The masters of the market—advertising men and salesmen—have come again into their own. Their services are needed. Their counsel is sought.

It is easier to handle material than men. The factors are the same in one case, but in the other not so. Sales must be made every day under constantly varying conditions. For years we've been hitting the high spots. Now we are confronted with the need of constructive selling, of finding a market through strenuous and continuous advertising and sales effort.

Production without adequate distribution is without avail. Production of itself fills no pay envelope. Wage money comes from sales at a profit. Wholesalers and retailers have experienced an entire change in their clientele in the last few years. Customers have been drawn to them largely because they, at the time, had the kind of merchandise needed for the extension of the individual business, and now the wholesaler and retailer are put to the test to see if they can retain this clientele against the competitive field produced by a buyers' market.

There is a good rule of business that goes like this. Find out what the people want—what they can afford to pay for it—then manufacture a quality product to fit that want at the price. It is conceded that all may not want the same thing. Location,

custom, utility, earnings, ambitions, all these things enter into the wants of people. This fact produces a variety in quality, style and price of merchandise. Our products are highly diversified. This great diversification of business is perfectly natural for we meet constantly changing conditions internationally, nationally and locally, and the effect of these changes is felt right down the line. The conditions we now face in business are just what we must expect for the law of Supply and Demand goes on working all the time.

Advertising and Selling in developing future markets faces constant changes. In Birmingham, England, there is a great series of manufacturing plants, which during the War were engaged in the manufacture of guns. Now that gun demand is gone, plants, many of them greatly enlarged during the War, are for the most part idle. Shall we wait for a new war or find out what the public wants and what they can afford to buy and market something that has real present service value?

Too many industries are over-equipped and so long as this continues bargain sales and bankrupt sales continue. Never mind how much you can make. Find out what you can sell at a profit. Preparation for the future is essential now. Every business, big and small, needs what I call a Forward Looking Department. The crow's nest, if you please, of the business ship. You have a Planning Department in the factory. Why not a Planning Department in sales administration?

Many a fine idea is allowed to go into discard because it is no one man's particular job to follow that idea through to a conclusion. Each one of us is cluttered up with the daily details of his job. Who does the advance reading for your company? Who keeps abreast of the changing selling problems produced by changing market? Would you fire a man who was caught reading a book in the day time in an endeavor to get a broader vision of his job?

How many executives sit down in their office in the morning and read over some of the latest editorials in the trade journals, or search the columns of the daily press, or the *Journal of Commerce,* or some other business man's paper? Whom have we in our organization delegated to study the newest problems of

advertising and selling occasioned by federal trade decisions, the attitude of labor unions, the Webb-Pomerene bill, trade acceptances, and the like? Whom have we to make a digest of the best of this material and pass it along to the members of the organization so that everybody may be up-to-date on such subjects and have time to give them some thought in the routine of their business? What contact do you make with your public library?

Some of us will say that the advertising man has no business to devote any of his time to such work; that the sales manager should devote his time entirely to sales; that the credit man should devote his time altogether to the collection of money; and the executives to the pertinent matters of daily management. It would seem that such men who reason this way are holding the penny before their eyes and hiding from view the half dollar beyond. The business world is constantly changing. The business mind must be keen and alert. We must understand and appreciate changes if advertising and selling is to develop present and future markets.

In a business enterprise we deal with three major functions: Production—Finance—Distribution. These three comprise business administration. Each of these has its definite functions to perform. It is a triumvirate, if you please, with a common objective—sales at a profit.

Business enterprises vary in size from the one man enterprise, handling all the functions of business administration to the giant corporation with many men each handling only one function as a part of the whole. The policies of a business enterprise must be determined by business administration. An organization must be created to carry out the details. The enterprise must have an objective. Sales policies, like production and financial policies, should be decided by the administration as to their general character. Policies determine what the plan of action shall be. Then follows the operation of the plan. These two functions are as much a part of advertising and selling as they are of production and finance.

Let us look back. The medieval merchant who sold abroad went forth with his pack or his boat load to find his market. L. C. Marshall of Chicago University, in "Business Adminis-

tration" says: "With an intimate knowledge of his product (often his own manufacture) the early merchant performed the functions of transportation, police protection, insurance (risk against fire), storage, market analysis, advertising, selling, credits and collections." As the business enterprise developed, these functions and others found their natural place under production, finance and distribution.

The functions performed by the early merchant in the natural course of finding a market for his goods, indicated the scope of subjects necessary to the proper understanding of present and future markets. While these functions are to-day performed in most business enterprises by the specialists, it is obviously essential that they be coördinated under one head if sales administration is to properly operate for maximum sales results. It follows that there must be one supreme head for sales administration, be he Vice President, General Sales Manager or Sales Manager—the title matters little—his authority is of great importance.

In the consideration of sales administration, I pass without comment management by committee—boards, etc., as I hold no brief for their operation. Delegated authority to act is, I think, the most acceptable form of sales administration. Specialists in business enterprises are knit together by authority. Like a football team, the individuals of a business enterprise acquire knowledge of specialized tasks under direction of a coach. Each team plays the game under authority of its captain. We need to recognize that there is a time for planning and a time for operating. If both functions are performed by one man the time for planning is not between the hours 9 to 5, when active sales operation can be best performed. The great crime to-day is the paltry few hours devoted to selling each day by the man who sells in the presence of the man who buys.

Obviously to cover all the functions in sales administration necessary to the development of present and future markets is not possible at this time. Let us then just consider a few important factors.

Advertising is a recognized function in distribution. The cost of advertising is a much discussed theme. How much

shall it cost? Each advertiser must answer that question in his own way. A public discussion of costs will not help men and women to a fuller appreciation of advertising. A public discussion of how advertising is used in every form of endeavor from the amateur theatrical to products of daily use and the molding of public opinion will cause the public to appreciate its function because of the beneficial results. It's not the cost that needs emphasis. Make people appreciate what a factor good advertising is in our daily routine and there will be less and less talk about the cost.

The Right Hon. Winston Churchill at the International Advertising Convention held in London during July said:

"Advertising nourishes the consuming power of men. It creates wants for a better standard of living. It sets up before a man the goal of a better home, better clothing, better food for himself and his family. It spurs individual exertion and greater production.

"We in our modern world, if we are to supply the provender and products for the enormous population of the present day, must march always with the opinion and the needs of millions and millions of people. If we are to supply the needs of the modern world it can only be on the basis of mass coöperation, and mass coöperation can only be obtained by advertising. For mass coöperation means that a desire to secure better things must have been created in the minds of the masses of people. When this desire has been made effective demand by greater individual effort, mass production follows, reducing the price of commodities to the individual.

"The things a man wants for himself and his family should be pictured to him in honest, simple terms. He should be given the desire to produce more so that he can possess the things he now wants. The average man's consuming power is the measure of his power to purchase. Advertising which makes him want better things and points out to him that to have them he must do his share of the work of the world is thus a true world tonic for better times."

The biggest job to-day, in sales management, is the refiring of the individual salesman. We need a greater conscientiousness of the acts to be performed by a salesman to meet the

mental process the mind goes through while a sale is being made.

1. The introduction or approach
 Is there one common form?
2. The art of making an impression
 How is it accomplished?
3. How shall salesmen establish points of contact?
4. How do we arouse interest?
5. How do we hold attention? Do we know the importance of eye selling?
6. How do we meet objections?
7. Have we the art of leaving an "open door" behind us?

Sales Morale

Someone has said that there are three great essentials in selling—Health, Habit and Industry. The salesman's mental attitude to the house, product and customer must be right if he is to successfully sell. Oftentimes you can detect in a man's voice a sarcastic note. When you notice this, that is the time to nip it. Do not allow a man to keep a grouch.

Require obedience to rules. Wishwashy decisions make dish rag salesmen. Decide and lead the salesmen to a decision. Salesmen need to be directed by someone. Salesmen need to feel that the house has a personal interest in its men and their families. Intelligent, sympathetic supervision is required. Encourage men to come and tell their troubles. Help a worthy man to a higher position if in your power. It is a big feather in a manager's cap to develop men rather than to hunt for new ones and it is not a sign of intelligence and ability to hire and fire men. Don't fire, refire.

Salesmen need to grow with the house. They must be made to realize that they are progressing. The tailender deserves unstinted support. We are prone to play winners. Those are the fellows we like to be with. It is the average salesman, however, that counts. Boost the average by helping the tail-enders. The salesmen should be known not only as they appear in the office, but as they also appear on the field. Go out on

the firing line with your men. An occasional trip through the territory is of immense value. Show your men as they appear in action.

Most of us are strong advocates of the weekly sales bulletins, which should be composed by the sales manager or a competent person under his direction. This bulletin is of the utmost importance. It should be a sales bulletin and not a sales bull. Salesmen need the stimulus that comes from a well planned contest in sales. The spirit of rivalry is in all salesmen. Friendly rivalry is a great sales builder, and better yet it builds sales morale.

Sales conventions to some extent build sales morale. It is too frequently like a big circus and those in the "ring" do the playing. There seems to be a growing tendency for large companies to get away from the big convention idea and call small group meetings, a series of small conventions. It's simply getting down to a closer personal relation with all men.

Believe in your men but keep an eye on them. Keep close to your men by working with them; to change their viewpoints, you must understand their viewpoint.

The personnel of the Administrative Department determines to a great extent the kind of sales morale we could build. It is impossible to expect salesmen to secure constructive ideas for well built manhood if those who represent the house live an existence inconsistent with the rules of good living. Men of honor, men of integrity, men of open mind with clear vision and good judgment, will collectively make an organization to which salesmen can look for inspiration, for when a salesman has firm convictions about the standing of his house and his product, he will have the courage required to put the message across. Doing something for the other fellow: This is one of the forces that makes for salesmen's success. It is a successful business man's experience.

Let me illustrate. A salesman visited a store one day and while waiting to see the owner, he noticed that the girls at the telephone, located on a balcony, were constantly shouting down to different parts of the store, to find out what the price of this, that and the other thing was that morning. For example, they had to ask the price of eggs, butter, potatoes,

etc. During a talk with the merchant the salesman diplomatically mentioned what he had observed and asked the merchant if he had ever considered the advisability of placing a large black-board in front of the telephone operators, with the prices of staples marked plainly and kept strictly up to date. The merchant's reply was "You are the first salesman that has ever offered a suggestion of any value to me in my business." Thereafter that salesman in the mind of the merchant was not only thought of as a salesman, but as a man with individuality. Know what the other fellow thinks of you.

Sometime ago, realizing that many a selling plan or suggestion developed in the office was not always practical when presented to the merchant, we encouraged our men to get close to the buyer. The salesman, at the close of the day, during the busy hours of city trade, entered the retail store, donned an apron, and sold goods over the counter. He thus came into personal contact with the consuming public and learned what it thought of his product and gathered many good ideas as to its use. By collecting the ideas of the individual man, we soon had a great many ideas which, when applied to our business, put us in tune with the public. Know what the consumer thinks of your product.

No product is complete by itself. You have seen in the street cars of New York, Sunshine Biscuits advertised by a picture showing cheese and jelly; you have seen Ridgeway Teas advertised with a plate of biscuits; you may recall that Armour advertised hominy to promote the sale of butterine. You have seen great success in selling developed in retail stores through the combination of your own product with others. The Public Utility Companies sell oil, gas and electricity—yes—but stoves, lamps, heaters, electrical appliances and a variety of smaller merchandise helps sell their principle product. The General Electric Company has made a specialty product out of a common light socket plug by concentrating in advertising and selling on the convenience it is in the use of all kinds of electric appliances in the home.

We hit the high spots in our advertising and in our selling. We emphasize fancy shoes and forget the stockings; we spout away on the value of a thing that we carry and fail to re-

member that without some other products ours would be a dismal failure. It is only our fear that the other fellow will take something away from us that keeps us from combining forces in advertising and intensive sales work that would, without doubt, increase the sale of our individual product.

"Never mind if you are an artist," said an employer of mine, "if you have drawn a horse, write the word horse under it." Talking big profits in percentage and dollars sounds fine, but when a salesman in Florida held fifteen dollar bills before a grocer, and told him he would give them to him at the close of 30 days, if he sold $100 in merchandise, it did the trick, where fine talk cleverly put failed, and where a repetition of 15 per cent on $100 did not paint the right picture. The young man selling the adding machine proved that old Harrison could save $12 a week and prevent the bookkeeper from making mistakes—but he didn't buy. He hit all the high spots and made no sale, because, said the district manager, he should have let old Harrison hold the stop watch, find the bookkeeper's error, and figure the saving. Get the buyer in the picture. Put a label on your story.

It is said that we know the least about the things that are nearest to us. We all have buttons on our coat sleeves, but none of us can tell right "off the bat" how many. We live in the Woolworth Building, but few of us know what can be seen from the tower. We boast in New York that we don't know our neighbors. Yes, there are acres of diamonds in your back yard—go dig for them. Then get together in your monthly meetings and help the other fellow.

We had a great common cause, that forced great bodies of men to concentrate on things industrial and which brought great groups of men together socially while prosecuting a great war. Out of all this has come a greater appreciation of our brother men. We are learning the best way to make men is to be men ourselves. Edward Everrett Hale gave us three great rules for business living. First: Live in the open. Second: Touch elbows with the rank and file, and Third: Talk every day with somebody who knows more than yourself.

OWEN D. YOUNG

THE DAWES PLAN

Owen D. Young was born in Van Hornesville, New York, in 1874 and began the practice of law in 1896. He has been active in his profession and in business and was a member of the commission which established the Dawes Plan in Europe. The following speech was given at the testimonial dinner tendered him by the business men of New York at the Waldorf Astoria Hotel, December 11, 1924, in recognition of his services as a member of the Dawes Commission and as Ad Interim Agent General of Reparation Payments. Secretary of State Hughes spoke as follows over the telephone from Washington: "It is no disparagement to others to give signal and appropriate recognition to the eminent and constructive ability and tact, rather I should say the genius, of Owen D. Young, which made possible the formulation and adoption of the Dawes plan. That plan has stood the test of both economic and political analysis and the best tribute that could possibly be paid to Owen D. Young is written between the lines of the protocol concluded at the London conference."

MR. CHAIRMAN, LADIES AND GENTLEMEN:—From my own experience and from observation, I have learned that unless one is an historian or a philosopher and a master of discriminating speech, it is unwise to talk of things which have happened or are to happen. It was with this in mind that on my arrival in this country, I made a firm resolve, and by way of better moral security, a public announcement, that it was my intention to come home, take up my job and keep quiet. Here I stand a defaulter on my own resolve. Compelled as I am to choose between seeming to be ungrateful or speaking, I choose to speak. Wherever these words may go, however, this warning must go with them. I speak only my personal views as a private citizen. I hold no warrant to speak either directly or indirectly for the Government or for the citizens of the United States.

There must be no doubt in your minds of the gratitude I feel for this public expression of your appreciation and your confidence. I feel guilty, too, in stealing one more evening from your all too busy lives. What I should like most to say is, "I thank you from my heart—let us all go home." That would be taking myself too seriously. This celebration to which you have so seriously responded is your testimonial of gratitude that there promises to be some tranquillity in Europe and some healing of the wounds of war.

It is your expression of satisfaction and of pride that America, at last, after a period of hesitation and of doubt, has played her part in an effort of peace as she previously did in the effort of war.

Let me express my regret that General Dawes is unable to be present to-night. His absence, however, enables me to say something which his presence might have prevented. He has so generously given credit to his associates for the plan that the truth should now be told. I remember sometime during the first two weeks in Paris when the name "Experts Committee" was gradually giving way to the name of "Dawes Committee" and when things did not look very hopeful, the General said, "Well, let them call it the Dawes Committee; someone has to stand up and take the garbage or the garlands." Let me say that at the time when the name "Dawes" became attached to the Committee, it looked as if the bouquets would all be of the backdoor variety.

Every one of my industrial associates knows that his business is composed of two important departments and that the men who are successful in one are seldom qualified for the other. One is manufacturing, the other is sales. It is not enough to manufacture a product, even a good product. It must be sold. The installation speech of General Dawes which was published in full in the newspapers of all the principal countries of the world created at once a change in the public opinion of Europe. His directness, his clearness, his determination and his courage suddenly dispelled despair and doubt and gave hope and confidence to the masses of people of Europe and a feeling of pride to the people of America. From that time on, the Committee was no longer the "Experts Committee," it was the "Dawes

Committee." The man with the pipe who was unafraid.

Politicians of all countries knew well how to get away with an "experts" report. They looked with anxiety on the approaching Dawes report. The point I desire to make is that the Committee followed the best commercial and financial practice by having its goods sold before they were manufactured. In the language of the advertiser a "consumer demand" was built up for the Dawes Report before anybody knew what it was to be and before a line of it had been put on paper. General Dawes was the sales department of our concern. In that department he had no assistants or associates and he needed none. The other members of our Committee will testify that the greatest contribution of any individual member of the Committee was made by General Dawes.

The remaining members of the Committee, with General Dawes as leader, were all in the manufacturing department. We made our product conscientiously and with the best knowledge and skill at our disposal. Each national delegation had its aides, experts, and assistants, and from them came guiding information and helpful suggestions. On the Committee itself were men of great ability and highly specialized training. I associate myself unreservedly with what General Dawes has said of them. With a manufacturing department thus set up, it would have been a reflection indeed if we could not have made a relatively simple article which would meet the requirements of a well advertised market already prepared to receive it.

Now, Mr. Chairman, let me say a word about the character of the report itself. One listening to its enthusiastic advocates would think it an inspired document which, taking account of the great international, racial, financial, and social currents of the world, had solved completely, and perhaps forever, those great problems. One listening to its worst enemies would feel that the plan was a mere superficial veneer which was bound to crack and disintegrate with the burning passions and the freezing selfishness which it concealed. Let me say that in my view both of these estimates are wrong. The members of our Committee well knew that human minds are too small to comprehend such great forces and to make a plan which unchanged, would be permanently effective to control them. The Com-

mittee set about its work in a quite different spirit. It was in the spirit of the scientific research worker from whom we are all learning so much. Knowing that great forces exist, he does not try out of hand to build a machine which will harness them and then sit back and say that the machine is finished for all time. Not at all. He tries to find out the character of the forces and something about their nature, direction, and intensity. So our Committee sought to make a machine which would indicate, and in some degree measure the extent and direction of these international economic forces with which we had to deal, and we tried also to insulate the machine so far as possible from the cross currents of domestic politics in order that the measurements might be more correct. To be precise, we preferred not to speculate on what Germany could pay; we sought a machine which would demonstrate both her *ability* and her *will* to pay.

Whether Germany would pay could only be ascertained by discovery, first, of her willingness to pay, second, of her ability to produce, and third, of the capacity of the markets of the world and of the creditor nations in particular to absorb her goods. There was much debate and many doubts as to her willingness to pay. That was a political question which could only be answered by sixty millions of German people acting through their political agencies. There was a difference of opinion as to her ability to produce. That was and is a question which depends not so much on the size of her plants and her available capital supply as on the spirit and discipline of her labor. And as to the capacity of foreign markets to receive German goods, the economists of the world made such widely divergent forecasts that they conclusively proved the inadequacy of all reliable statistics on that question. Our Committee did not step in where winged students feared to tread.

The Dawes Committee did not approach the problem of reparations in the spirit of imposing a penalty on Germany. It did not attempt to fix the blame for the War. It was not permitted even to determine the total amount of Germany's obligation. It merely found the fact that the allied nations had become heavily burdened with debt and that their citizens were struggling under an unprecedented taxation to pay the cost of

this great catastrophe. Germany was asked by our plan to assume and pay, or at least to show her willingness to assume and pay annually her fair share. Germany was asked to submit her industries and her people to a burden of taxation for debt paying purposes reasonably commensurate with the taxation which her neighbors had to impose upon their industries and their people in order to pay their war debts. As General Dawes well said in his letter of transmittal, "More than this limit could not be expected and less than this would relieve Germany from the common hardship and give her an unfair advantage in the industrial competition of the future."

There was one specification of the plan which the Committee always had in mind. It was this specification which made it a practical success. When I am in the country, my chief occupation is to trade cows with my neighbors. Just before I left for Europe, having spent the whole of an arduous morning in a most difficult negotiation, I said to my neighbor as he seemed about to leave, "Abe, will you buy that cow?" His answer was, "Well, she's most too dear to take and she's most too cheap to leave." The plan had to be such that when put to the interested countries, each would feel that it was most too dear to take and most too cheap to leave.

And so the plan was issued on the 9th of April, the Committee having sat continuously from the 16th of January. A few hours after its issue, the Reparations Commissioners accepted the plan so far as it was within their power and recommended it to their respective Governments for action. Germany immediately responded favorably, and the creditor Governments in Europe, although delayed somewhat by elections bitterly fought both in France and Germany, moved forward to the Conference of London.

The plan itself dealt only with the economic problem of reparations. It did not deal with its military and political aspects. It recognized that the political and economic unity of Germany as established by the Treaty must be restored and that the occupation of the Ruhr must be made consistent with credit requirements. It did not state when or how. The Conference of London was to deal with all of the problems necessary to make the plan effective except the Ruhr evacuation.

This was arranged at the same time, but technically outside the conference, between the Governments of France and Belgium on the one side, and the Government of Germany on the other. England maintained her position that having protested the entry into the Ruhr, she would not recognize its propriety by becoming a party to an agreement for its evacuation.

All of the nations who were creditors of Germany under the Versailles Treaty participated in the London Conference. There were present also under limited instructions but carrying most weighty influence, Mr. Kellogg, our Ambassador at London, and Colonel James A. Logan, our unofficial observer in Paris, representing the Government of the United States. The great powers of England, France, and Germany were represented by so-called minority Governments. That is to say, no one of these three Prime Ministers had in his own party a majority of the Parliament for which he spoke. Under such circumstances, it was not only necessary for these Prime Ministers to satisfy themselves and their party principles but they constantly had to feel the pulse of the Parliament houses in London, Paris, and Berlin. Under such difficulties, the London Conference dragged slowly on from the 16th day of July to the 16th day of August when the final protocol was initialed by the secretaries of the different powers and the delegates went home to seek the assent of their respective Parliaments to the extent required. Let me say in connection with the London Conference that too great credit cannot be given—

First, to Mr. MacDonald, as Presiding Officer of the Conference, for his fairness and his tact, and as Prime Minister of England, for his liberal views on the one side and his devotion to the continuity of the foreign policy of his country on the other.

Second, to M. Herriot, the Prime Minister of France, who stood throughout the conference on the ground that all disputes arising under the plan should be submitted to arbitration, and that France's best security lay in her economic and financial restoration through proper reparation payments, and in the development of a more democratic Government in Germany herself.

Third, to Herr Marx, the Chancellor of Germany, who met his difficult problems, both at home and abroad, with dignity

and courage, and an openness and fairness of mind which made one feel that at last Germany had laid aside her clanking sabers and was ready to work and pay her debts.

M. Theunis, the wise Prime Minister of Belgium, was one of the ablest and most tactful participants in the Conference.

Italy, although not represented by the head of her Government, provided spokesmen who were so able and alert that they made themselves invaluable.

I cannot close this reference to the London Conference without congratulating you and the Government of the United States on the great contribution made to the success of that international meeting by Mr. Kellogg and Colonel Logan. Placed as they were in a difficult position where their merest suggestion came with the backing of one hundred and ten millions of independent and prosperous people, they showed discriminating judgment, tact, and fairness. It would be readily agreed by all participants that but for their presence, speaking for America, the Conference could not have been a success.

The Parliament of France sustained M. Herriot's commitments by a large majority. In England, Mr. Baldwin made a statement in the House saying in substance that he hoped Mr. MacDonald, the Prime Minister, understood that in his efforts to put the plan in effect, he had the backing of all parties in the Government.

Mr. Chairman, may I pause to ask is it too much to hope that some day we may establish a definite foreign policy and maintain its continuity free from the horse-play of domestic politics even with changing administrations. If so, the interests of this country and the peace and tranquillity of the world would be advanced and insured. After all is it true, Mr. President, that because our people are of different racial ingredients, they will not patriotically support a wise, courageous, definite, and non-partisan foreign policy of the United States of America? Perhaps we need to put our State Department in such a non-partisan position that all citizens, including members of the Senate, may speak and act in foreign affairs with individual independence, free from the thought or charge of being traitor to the political party of their affiliation.

In Germany, the Chancellor and his associates asked the

Reichstag for approval of the London Agreement. Two parties were in opposition. The Extreme Left, namely the Communists, opposed the plan as a new machine of capitalistic bondage. The Extreme Right, the Monarchists and Reactionaries, opposed the plan on the ground that its burdens were too heavy, and incidentally as a matter of domestic politics, because the position of the Central Democratic parties would be strengthened. A large majority of the Reichstag, but less than two-thirds, appeared on the initial votes to be in favor of the plan. It was necessary to deal with three subjects: the reorganization of the Central Bank of Issue, the imposition of $1,250,000,000 of bonds on the industries of Germany, and the transfer of the railroads of Germany to a private company and the creation of more than $2,500,000,000 of first mortgage bonds on the railroads for reparation account. Under the German constitution, the necessary bills for the first two, namely the reorganization of the Reichsbank and the creation of the German Industrial Bonds could be and were voted by a majority. The Railroad Bill, however, required a two-thirds vote and neither of the first two bills had received so large a majority. The Chancellor entered the Reichstag for this final vote. He held the decree of the President of Germany for the dissolution of Parliament in his pocket and frankly stated if the Railroad Bill were not voted, the Reichstag would be dissolved and an appeal would be made to the country in new elections in behalf of the plan. The vote in the Reichstag is taken by ballot, a white ballot meaning "yes" and a pink meaning "no." The Nationalist party as opponents to the plan walked to the ballot box with pink slips meaning "no" upheld in their right hands. With their left enough of them put in white ballots so that the Railroad Bill was carried. The strongest single political party in Germany did not dare reject the plan and go to the country on the propriety of their action. That their judgment was justified is shown by the elections on last Sunday. That election which strengthened the position of the Central parties at the expense of the Right and Left, would seem to show that Germany has the will to pay. If the world is convinced of that, then the greatest barrier to a final settlement of reparations will have been removed.

On August 30th, the representatives of all the powers finally signed the protocol and for the first time since the War, after due hearing and full discussion, after separate consideration of the terms in their home capitols, the great nations of the world, Germany included, meeting on equal terms, agreed. The plan was adopted.

America and England and the countries of the continent sent their money into Germany for her economic restoration based on the faith that commitments of great nations are still good security. The French and Belgium armies relinquished their hold on the industries, mines and railroads of the Ruhr and began their homeward march. They promised to complete it within twelve months provided Germany gave continuing evidence of her will to perform her obligations. So this dramatic chapter closed and a new one began two days later, on the 1st of September, 1924.

On that day the German Government which had not yet received its loan or assurance that it would be made, deposited in the Reichsbank to the credit of the Agent General for Reparations twenty million gold marks, and ten days later, an additional twenty millions. During the month of September through credits or through payments, Germany, not yet having received her loan, paid for the account of the Agent General something like ninety million gold marks, a sum substantially in excess of the eighty-three million which, under the London Conference, she had undertaken to pay during the month of September. In October, she paid large sums more, and finally, when her loan was negotiated, eight hundred million gold marks were placed in the Reichsbank, technically to the credit of the German Government, but under the control of the Agent General. This sum, together with such credits as will naturally be given to Germany, is substantially in excess of the total of one billion gold marks required of her during the first year of the plan. So far as payments are concerned, we may assume that Germany has in substance completed her obligations up to September, 1925.

The French and Belgian military and civil authorities in the Ruhr coöperated heartily and without reserve to enable the Agent General to make available these large sums to German

producers for deliveries in kind. Thereafter, deliveries in kind were no longer to be taken at the point of the bayonet; they were to be taken at the point of a check book.

So it was that France by her commitment to the protocol and by her acts in execution of it effectively denied to the world that she preferred dismemberment of Germany and the military domination of Europe to payment of reparations and her resulting financial and physical restoration. By this act France also showed that she valued the friendship of England and that she would go far to prevent the growth of a hostile sentiment against her in the United States.

May I express the hope, Mr. Chairman, that in return we will, without doing injustice to others, act towards France with a generosity which recognizes all her equities and satisfies our feeling of justice, taking into account our historical obligations and our traditional and real friendship.

England, too, made it clear that notwithstanding the competition of German goods in her own markets and in those outside, she would use her money to help finance the industrial reorganization of Germany so that turmoil on the continent might cease and stability of trade and finance might be restored. England did this when there was great unemployment in her country, when her great industries were suffering serious depression, and when in the face of all this she had, with a sportsmanship which can teach us all a lesson, scrupulously met her debts in principle and in practice.

And so it looks, Mr. Chairman, as if there were a real hope of a new day in the world. A day in which human beings in all countries may live peacefully and develop and work and save.

The plan would not have been created or adopted without America. The present Government of the United States justly claims credit for this new advance in international affairs. The original suggestion of the Experts Committee came from our distinguished Secretary of State. The Department of Commerce, whose eminent head is here to-night, furnished the largest amount of helpful information for the formulation of the plan. Our distinguished Ambassador to Germany made contact and understanding with the Germans possible. Our

able Ambassador in London and Colonel Logan were essential to the success of the London Conference. Even the President and Secretary of State were not without interest in the choice of an American citizen to sit on the Reparations Commission for the purpose of administering the plan. In a word let me say that in my opinion the present Government has done everything which could properly be done to aid in the formulation and to insure the adoption of the Dawes Plan. Personally, being of a different political faith, I feel like killing the fatted calf.

Private citizens too, have done their share. Mr. Henry M. Robinson, first as a member of the Second Committee of Experts, and later, in the installation of the plan itself, rendered services of a kind which would be hard to duplicate. Those who know him, will understand the propriety and the force of this simple statement. Mr. Rufus Dawes in charge of the office in Berlin, and Mr. George P. Auld, who established the accounting service of the Agent General, both acting as volunteers made my work easy. We have sent Mr. Thomas Nelson Perkins to become a member of the Reparations Commission, Mr. S. Parker Gilbert to act as Agent General, Mr. Sterrett to act as member of the Transfer Committee, and Mr. Gates McGarrah to sit as director for the Reichsbank and the Industrial Bank. To the citizens of New York, I can say nothing which would add to the esteem in which they are already held. To those of you who are listening in, may I say that no better men could have been found to administer the plan.

Mention should also be made of the great banking firms which have aided the execution of the plan through advances to Germany both on public and private credits. These advances should continue in such amounts as may be deemed from time to time safe and wise under the circumstances then existing. They should not be overdone. It would be desirable for America if she could act in such a way that our total advances might be from time to time ascertained and known to be conservative. If this were done, we would make the German credit situation steady rather than fluctuating and we would not subject the credit structure of the world to the strain of quick advances and quick withdrawals. A steady, firm, and conservative policy

is better for Europe and for us because after all we must remember that the ravages of ten years of economic and social demoralization cannot be repaired overnight. The surest rehabilitation of Germany will be a slow and steady and healthful growth. There should be no encouragement for her to react from this great depression into an unhealthy boom.

Then too, as stated in the plan, the restoration of Germany is not an end in itself, it is only a part of the larger problem of the reconstruction of Europe. It is not German credit and German currency alone which need to be restored in order that financial stability may return to the world. Our low bank rates and our greatly increased gold supply will if used wisely enable us not only to aid our neighbors but to help ourselves. By restoring foreign credits we will increase our export markets particularly for our excess food supplies; by stabilizing foreign currencies we will restore throughout the world the free flow of commodities including gold. When that shall have been done we shall hear less in this country, and rightly so, of artificial price levels and arbitrary bank rates.

The plan cannot succeed without the coöperation of the people of America. Have we at last realized the responsibilities which are the counterpart of our own riches? The plan is an economic program. It is not a political one. It requires for its execution the continued economic support of the United States. It does not require any direct political support or involve any political entanglement. Our agencies of business must all cooperate in support of the plan. Our men of commerce, industry, agriculture, and finance, including the Federal Reserve System, must aid in the restoration of the credit and currencies of the principal commercial nations. We may debate political participation in the affairs of the world, but we must participate in its business, and business knows no political boundaries and in its dictionary there is no such word as isolation.

And so, Mr. Chairman, I pray that this favored nation may meet the responsibilities of her great position. I ask that business may be carried on internationally, without sentiment, but with vision and with courage. I ask that the spirit behind that business may be a worthy expression of the character of our people and worthy in the sight of God.